

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6023**

**BILL NUMBER:** HB 1001

**NOTE PREPARED:** Jun 18, 2009

**BILL AMENDED:** Jun 17, 2009

**SUBJECT:** Budget Bill.

**FIRST AUTHOR:** Rep. Crawford

**FIRST SPONSOR:** Sen. Kenley

**BILL STATUS:** As Passed House

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
X FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** The bill does the following.

*State Appropriations:* This bill appropriates money for the administration of state government, to make distributions to schools, state educational institutions, and other governmental units, to pay the state's obligations under the Medicaid program, and to provide social services and other services. The bill authorizes capital projects and provides a school funding formula. It also makes other changes, such as the following.

*Gaming License Transfers:* The bill prohibits the Indiana Horse Racing Commission and the Indiana Gaming Commission from: (1) imposing, charging, or collecting by rule a fee that is not authorized by statute on any party to a proposed transfer of an ownership interest in a license; or (2) making the approval of a proposed transfer of an ownership interest in a license contingent upon the payment of any amount that is not authorized by statute.

**State Tax Provisions-**

*Sales Tax Provisions:* The bill makes changes to bring Indiana in conformance with the Streamlined Sales and Use Tax Agreement as amended through September 5, 2008. It requires the Use Tax to be paid at the time of registering a watercraft that is a United States Coast Guard documented vessel. It requires new retail merchants to file returns and remit Sales Tax electronically. It provides relief for retail merchants if there is a change in the Sales and Use Tax rate.

It makes permanent the sourcing rule for floral deliveries providing that a sale is sourced to the location of

the florist where the order originated when the sale involves one florist taking an order and transferring the order to another florist for delivery to the final recipient. It also provides that the sale of Internet access service or certain ancillary service telecommunication services are sourced to the customer's place of primary use.

The bill requires refiners, terminal operators, and qualified distributors to remit prepaid state gross retail taxes through the Department of State Revenue's (DOR) online tax filing system.

The bill requires the DOR to determine a new sales tax prepayment rate on gasoline every three months and eliminates the requirement to publish the prepayment rate change in the Indiana Register. The bill allows the DOR, subject to Office of Management and Budget approval, to make a new prepayment rate determination if the price of gasoline has changed by at least 25% since the most recent determination. The bill also uses 80% instead of 90% of the estimated tax liability in making the determination.

This bill provides a sales tax exemption for certain property acquired by a person that furnishes video services and uses the property to provide telecommunications services or uses the property to furnish video services, Internet access services, or VOIP services. This bill provides a sales tax exemption for equipment and devices used to monitor blood glucose level. The bill also provides that an aircraft is exempt from Sales Tax if the gross lease revenue derived from leasing or rental of the aircraft is equal to or greater than the book value of the aircraft; or 7.5% of the greater of the book value of the aircraft or the net acquisition price of the aircraft.

*STIF Districts:* The bill authorizes Warrick County to establish a sales tax increment financing (STIF) district and specifies the permitted uses of the sales tax increment. It also increases the maximum term of bonds and leases for a STIF district from 20 to 25 years.

*Sales Tax exemption for Low-Income Home Energy Assistance (LIHEAP):* This bill makes the Sales Tax exemption for LIHEAP permanent. (Current law provides that the exemption expires July 1, 2009.)

*RV Sales Tax Exemptions:* This bill extends the Gross Retail Tax exemption on cargo trailer and recreational vehicle sales to residents of states that do not provide a reciprocal Sales Tax exemption to Indiana residents. The bill also provides that the gross retail income derived from the sale of a recreational vehicle is exempt from the state Gross Retail Tax if certain requirements outlined in the bill are satisfied.

*Income Tax Provisions:* The bill adds a definition of "pass through entity". It provides that income from a pass through entity shall be characterized in a manner consistent with the income's characterization for federal income tax purposes and attributed to Indiana as if the person, corporation, or pass through entity that received the income had directly engaged in the income producing activity. It also provides that an individual may claim a deduction for state income tax purposes for property taxes that: (1) were imposed on the individual's principal place of residence for the March 1, 2007, assessment date or the January 15, 2008, assessment date; (2) are due after December 31, 2008; and (3) are paid in 2009 on or before the due date for the property taxes.

The bill, for purposes of the tax credit for contributions to the College Choice 529 Education Savings Plan: (1) defines "contribution" to exclude rollovers from other 529 savings plans; and (2) excludes value added to the account through earnings of bonus points.

The bill includes vehicles that operate on biodiesel or ultra low sulfur diesel fuel for purposes of the Hoosier

Alternative Fuel Vehicle Manufacturer Income Tax Credit. It limits the tax credit to the manufacture of passenger cars and light trucks weighing 8,500 lbs or less.

It also provides that for winnings that exceed \$1,200 on gambling games at racetracks, the operator is required to withhold adjusted gross income tax from the winnings. The bill provides an individual income tax deduction of up to \$1,000 for the installation of solar-powered roof vents or fans. The bill specifies that for research expense incurred after December 31, 2009, a taxpayer may choose to have the amount of the research expense tax credit determined under the existing calculation or under an alternative calculation providing the amount of the credit is equal to 10% of the part of the taxpayer's Indiana qualified research expense for the year that exceeds 50% of the taxpayer's average Indiana qualified research expense for the preceding three years.

The bill changes the sunset date for the Hoosier Business Investment Tax Credit from December 31, 2011, to December 31, 2015. The bill provides that the Coal Gasification Technology Investment Tax Credit is refundable for taxpayers who make qualified investment in an integrated coal gasification power plant and enter into a contract to sell substitute natural gas (SNG) from that power plant to the Indiana Finance Authority (IFA). The bill provides that for purposes of the Headquarters Relocation Tax Credit an eligible business is required to have annual worldwide revenues of at least \$20 M, unless the business relocates to Elkhart County before July 1, 2010, in which case the business is required to have annual worldwide sales of at least \$10 M. It also limits the tax credit to headquarters relocations in counties where the unemployment rate was at least 15% as of March 1, 2009. It also prohibits credits for relocations occurring after June 30, 2011.

*Inheritance Tax Provisions:* The bill provides that an Inheritance Tax lien terminates on the earlier of: (1) the date the Inheritance Tax is paid; (2) when certain affidavits are filed specifying that no tax is due; or (3) ten years (rather than five years, under current law) after the date of the decedent's death. The bill also changes the Inheritance Tax interest accrual date.

*Fuel Tax Provisions:* The bill provides that September 1 is the deadline for International Fuel Tax Agreement applications to be filed in order to receive the permit by January 1. It requires the DOR to provide relief under the gasoline tax statutes where a shipment of gasoline is legitimately diverted from the represented destination state after the shipping paper has been issued by the terminal operator or where the terminal operator failed to cause proper information to be printed on the shipping paper. It repeals the requirement that a person must obtain an import verification number in certain circumstances to import special fuel into Indiana.

*Corporate Tax Provisions:* The bill provides that a listed property trust or other foreign real estate investment trust organized in a country that has a tax treaty with the United States will not be included in the add back to adjusted gross income as a captive REIT. This bill also provides a refund of gross income taxes erroneously paid for 2003 and 2004 by a town if the town also paid the utilities receipts tax for the same year.

*Vehicle Repair Permit:* The bill allows a repair and maintenance permit to be used by unregistered off-road vehicles to move from and to a quarry or mine for the purpose of repair.

*Airport Operator Reporting:* The bill requires an airport operator to submit reports to the DOR listing aircraft stationed at the airport. It provides that if the airport operator submits an incomplete report, the airport operator is subject to a civil penalty of \$100 per aircraft not properly included in the report.

*Other Department of Revenue Provisions:* The bill makes other changes related to DOR administration of tax laws. The bill requires the DOR to post on the DOR's web site the name of every registered retail merchant that has not renewed its retail merchant certificate or whose certificate has been revoked. It requires all new withholding tax registrants to file returns and remit the withholding taxes electronically through the DOR's online tax filing program.

The bill allows the Department to use statistical sampling in audits. It provides that if the taxpayer and the Department agree on a sampling method to be used, the sampling method is binding on both parties. It specifies that if the Department erroneously issues a refund check to a taxpayer, the Department has two years from the time of issuing the erroneous refund to issue a proposed assessment.

The bill requires (rather than allows) a taxpayer to round to the nearest dollar amount on income tax returns. The bill provides that partnerships and trusts are subject to the 20% penalty for failure to withhold and remit taxes required to be withheld for nonresident partners or nonresident beneficiaries. It provides that if a person has had more than one payment to the Department returned for insufficient funds, the Department may require that all future payments for all listed taxes be remitted with guaranteed funds. The bill allows the Department to require a taxpayer that is on a payment plan for sales or withholding tax liabilities to make the payment using an automatic withdrawal from the person's bank account.

The bill adds the utility receipts tax to the taxes for which a six-, versus a three-, year limit on assessment applies if gross receipts are understated by at least 25%. The bill exempts beer brand and packaged type from the Department's confidentiality law.

#### *Property Tax, Budget, and Miscellaneous Tax Provisions-*

*Reassessment:* The bill provides that the next general reassessment shall begin in 2010 (rather than 2009).

*Bond Issues:* This bill specifies that the maximum term of bonds is to be determined based on the date the bonds are issued. It also provides that the maximum term or repayment period for obligations issued after June 30, 2009, that are wholly or partially payable from lease rental payments is 20 years after the date of the first lease rental payment.

The bill provides that bonds issued for a hospital for the Marion County Health and Hospital Corporation are not subject to the 20-year maximum term.

The bill also exempts nonelected school boards from the law requiring taxing units with nonelected governing bodies to have bond issues and leases approved by the fiscal body of a county, city, or town.

*Trending Catch-Up:* This bill provides that if a county assessor is more than six months behind in submitting assessed valuations to the county auditor, the DLGF would develop the trending factors for that year.

*Software Contracts:* The bill requires the DLGF to be a party to any addendum to a contract: (1) between a county assessor and a professional appraiser; and (2) between a county and providers of assessment software.

*Golf Course Assessments:* This bill specifies assessment procedures for golf courses.

*Exemption Filing:* This bill eliminates the requirement that a property tax exemption application be filed every two years for certain property owned, occupied, and used by a person for educational, literary, scientific, religious, or charitable purposes. The bill provides that a change in ownership of tangible property that continues to be used for an exempt purpose does not terminate an exemption but requires an owner notify the county assessor of the change in ownership.

*Mobile Homes:* This bill specifies when a mobile or manufactured home may be treated as inventory, and permits the waiver of property taxes on an abandoned mobile or manufactured home, upon petition by the title holder, when the property tax liability exceeds the resale value of the property.

*Referenda:* This bill defines "registered voter" for purposes of the statute specifying who is eligible to sign a petition requesting a referendum for a controlled project. The bill allows the legislative body of a political subdivision to adopt a resolution withdrawing a controlled project from consideration at a referendum and specifies that if a public question on a controlled project is withdrawn, a referendum on the same controlled project or a substantially similar controlled project may not be submitted to the voters earlier than one year after the date the resolution withdrawing the referendum is adopted. The bill also requires the DLGF to post certain information regarding a proposed controlled project on the department's Internet web site.

The bill also provides that an elected or appointed public official of the political subdivision may advocate for or against a position on the petition or remonstrance or local public question for a controlled project so long as it is not done during the official's normal working hours or paid overtime or by using public funds.

*Utility Assessments:* The bill provides that a public utility company's tangible personal property that is locally assessed as fixed property is instead assessed as distributable property.

*Sales Disclosure:* This bill exempts public utility and governmental easement documents from the property sale disclosure filing requirement. It authorizes the DLGF to use money in the Assessment Training and Administration Fund for data base management expenses.

*Fire Protection Territories:* This bill provides that levy limits do not apply to a civil taxing unit in the first year in which the civil taxing unit becomes a participating unit in a fire protection territory. The bill specifies that in the first year in which a civil taxing unit becomes a participating unit in a fire protection territory, the civil taxing unit shall submit its proposed budget, proposed property tax levy, and proposed property tax rate for the fire protection territory to the DLGF for approval. The bill also specifies that participating units in a fire protection territory may agree to change the provider unit of the territory.

*Assessment Appeals:* The bill modifies the authority of a county assessor to appeal an assessment of industrial property by the DLGF. The bill also provides that the county or township assessor has the burden of proof in appeals of assessment increases that exceed 5% of the property's value.

*MRDD Levies:* This bill permits a county that wants to impose a property tax levy for the first time after 2008 for a community mental health center (CMHC) or a community mental retardation and other developmental disabilities (MRDD) center to submit a first-year budget for approval by the DLGF. It provides that the levy for the approved budget is outside the property tax levy limit.

*Review of Nonelected Board Budget:* This bill provides that in the case of a taxing unit that is governed by a nonelected board and is required to submit its proposed budget and property tax levy to a municipal fiscal body for approval, the proposed budget and property tax levy must be submitted at least 30 days (rather than

14 days, under current law) before the municipal fiscal body is required to hold budget approval hearings. It also changes the date for political subdivisions to complete budgets from August 10 to September 10.

The bill also provides that the budgets, tax levies, and bond issuance of a taxing unit in Marion County that: (1) is entirely within an excluded city; and (2) has an unelected governing body; are reviewable by the fiscal body of the excluded city.

*Local Budgets - County Review:* The bill requires a civil taxing unit to provide the county fiscal body with its proposed budget, tax rate, and levy at least 45 days, instead of 15 days, before it fixes its rate (30 days instead of 14 days for nonelected units) and provides that a civil taxing unit's preceding year levy is used if the deadline is not met. The bill gives the county fiscal body (or oversight unit for nonelected units) 30 days to complete its review and provides that a county's preceding year levy is used if the deadline is not met.

The bill moves the deadline for local budget meetings from September 30 to November 1. It removes the expiration date for the county boards of tax adjustment (TAB) and it requires the TAB to complete its work by November 2, instead of October 1, in most counties. The bill provides that in Marion County and counties with second class cities the board must complete its work by December 1 instead of November 1. The bill also changes the deadline for a civil taxing unit to appeal its levy limit from September 20 to October 20.

*Control Boards:* The bill eliminates the local government and school property tax control boards.

*Marion County TIF:* This bill changes the tax increment replacement amount for a tax increment financing (TIF) district in Marion County so that the personal property increment may be used regarding obligations issued before May 8, 1989.

*Tax Bills:* This bill eliminates the State Board of Accounts approval of the property tax statement. It removes the tax rate and percentage change in liability from the property tax statement.

It requires provisional tax statements and reconciling tax statements to be on forms prescribed by the DLGF. The bill provides that the tax liability under a provisional tax statement may be up to 100% of the tax liability that was payable in the same year as the assessment date for the property for which the provisional tax statement is issued. It also requires a provisional tax statement to include any adjustments to the tax liability as prescribed by the DLGF.

The bill provides a procedure for using provisional property tax statements when the tax rate for a cross-county unit has not been determined.

*PTABOA:* This bill provides that a county may elect to have either a three-member or five-member property tax assessment board of appeals (PTABOA).

*Maximum Levy Adjustment:* The bill legalizes the method used by the DLGF to reduce the 2009 maximum permissible ad valorem property tax levy of taxing units that paid benefits to members of the 1925 Police Pension Fund, the 1937 Firefighters' Pension Fund, or the 1953 Police Pension Fund. The bill also changes in law the phrase "assessed value growth quotient" to "levy growth multiplier".

*Township Fire Protection:* The bill allows townships to provide fire protection or emergency services within a municipality that lies at least in part in the township and does not have a full-time paid fire department without contracts if both legislative bodies approve. (Current law requires a municipality to lie entirely

within the township to permit the arrangement.)

*SARS:* The bill specifies that the calculation and use of school assessment ratios and adjustment factors apply only to school corporations in counties in which a supplemental county levy is imposed and it repeals a provision requiring the calculation of a state average assessment ratio.

*Distribution of Delinquent Tax Payments:* This bill provides that a school corporation is to receive its proportionate share of any delinquent property taxes paid that are attributable to a year in which the school corporation did not receive 100% of its general fund distribution because of unpaid taxes.

*Local Option Income Tax:* This bill requires a county income tax council to hold at least one public meeting in each odd-numbered year at which the council discusses whether the county option income tax (COIT) rate should be adjusted. The bill also allows COIT revenue to be used to pay certain redevelopment bonds.

*Commission on State Tax and Financing Policy:* The bill assigns duties to the Commission on State Tax and Financing Policy.

*Conservancies:* This bill provides that the board of a conservancy district may, subject to any required budget review and approval, increase the conservancy district's budget by not more than 10% for contingencies. (Current law requires the budget to be increased by 10% for contingencies.)

The bill also specifies the interest rate paid on certain conservancy district assessments after June 30, 2009, that are paid in installments.

*Public Work Project Financing:* The bill provides that under the statute authorizing political subdivisions to borrow from a financial institution to finance a public work project, the maximum term of the loan is ten years (rather than six years, under current law).

*Solid Waste Management Districts:* This bill provides that for the first year that a property tax will be imposed by a solid waste management district, the district's board must present identical resolutions to each of the county fiscal bodies within the district seeking approval for the use of the property tax revenue. It provides that a district is subject to the statute that requires an entity with a nonelected board to get county council approval of the entity's proposed property tax levies and budget when the entity's budget is growing faster than the assessed value growth quotient.

The bill also requires the district's annual budget to be approved by a majority vote of all members of the board. The bill provides that in the case where all but one of the counties participating in a joint district have withdrawn from the joint district or have been removed from the joint district, the county that did not withdraw or was not removed from the joint district must designate itself as a new county district, join one or more other counties to form a new joint district, or join an existing joint district. The bill makes other changes concerning solid waste management districts.

*TIF:* The bill specifies that the maximum term of bonds or leases in a TIF district is to be determined based on the date the obligation is entered into (applies to districts created and obligations entered into after June 30, 2008).

*Homestead Credits:* The bill provides for two semiannual installments of revenue replacing homestead credits granted to taxpayers in 2009 and 2010.

*Property Tax Exemptions:* This bill provides an entity additional time to file for a property tax exemption that applies to taxes payable from 2002 through 2010 for property owned and used for educational, literary, scientific, religious, or charitable purposes.

This bill provides a school in Marion County additional time to file for a property tax exemption for taxes payable in 2007, 2008, and 2009, and authorizes a refund of taxes paid for 2007 and 2008.

The bill also provides a church in Marion County additional time to file for a property tax exemption for taxes imposed for the 2008 assessment date for land that it purchased in 2007 that is adjacent to the church's already exempt property.

*Fire Protection District:* This bill allows borrowing by a fire protection district that was initially established in 2006, has experienced significant revenue shortfalls due to cumulative mathematical errors in the calculation of its maximum permissible property tax levies in 2007 and 2008, and may experience a significant revenue shortfall in 2009 and 2010 requiring the district to seek funds in addition to the amounts certified for the district's current budget to provide fire protection to district residents.

*Child Welfare Surpluses:* This bill permits a county to transfer to the county's rainy day fund any money that was transferred from the county's family and children's fund and from the county's children's psychiatric residential treatment services fund to the county's levy excess fund as required in 2008.

The bill also provides that a county that had \$10 M transferred to the county's levy excess fund from the county's family and children's fund and the county's children's psychiatric residential treatment services fund to the county's levy excess fund, as required by P.L.146-2008, may distribute the money transferred to the county's levy excess fund as follows: (1) \$1 M must be distributed to the county's rainy day fund; (2) two-thirds of the remainder must be distributed to the civil taxing units in the county using the same allocation used for local income taxes.

*Pendleton Library:* This bill allows the Pendleton Library to impose annual capital project fund levies that exceed the usual limits for a specified period.

*Local Option Income Tax:* The bill amends the county adjusted gross income tax, county option income tax, and county economic development income tax statutes to provide that the Budget Agency (rather than the DOR) certifies the revenue distribution to counties.

*Commercial Vehicle Excise Tax (CVET):* The bill specifies that road tractors are included in the definition of "commercial vehicle" for purposes of the commercial vehicle excise tax. It provides that a taxing unit's calendar year commercial motor vehicle excise tax distribution is based on the amount of tax collected in the preceding state calendar year (rather than 105% of the prior year's base revenue). It also provides that a county's base revenue for purposes of the commercial motor vehicle excise tax is equal to its distribution percentage multiplied by the amount of tax revenue collected in the preceding state fiscal year.

*Fairland:* The bill provides that the population of the town of Fairland for purposes of certain Indiana laws is 325.

*RV Excise Tax:* This bill changes the adjustment for refunds or charges for a partial year of RV excise tax from 10% to 8.33% per month.



*Economic Improvement Districts:* The bill provides that property tax exempt properties in an economic improvement district may be subject to special assessments. It specifies that the board for a district consisting of only one property owner must include the property owner. The bill clarifies the status of assessments for purposes of the Internal Revenue Code. It also authorizes bonding for an economic improvement project. This bill provides that taxing units expecting to receive an economic benefit from an economic improvement district project may pledge special assessments and other legally available funds for the repayment of bonds or lease rentals for certain projects. It also specifies that the pledge does not create debt for the taxing unit.

*Major Bridge:* The bill expands the purposes for which the major bridge fund may be used in Allen County.

#### Miscellaneous Provisions-

*Pension Stabilization Fund:* The bill reduces the amount that must be contributed from the Pension Stabilization Fund to pay the pension benefits from the Pre-1996 Teachers' Retirement Fund. It also eliminates the requirement that money transferred to the Teachers' Retirement Fund from the Lottery Commission must be deposited in the Pension Stabilization Fund.

*Local Project Funding:* It provides for a distribution of money from federal funds and the Next Generation Trust Fund to counties, cities, and towns for engineering, land acquisition, construction, resurfacing, restoration, and rehabilitation of highway facilities.

*Mass Transportation Projects and Passenger Rail Study:* It makes appropriations to certain mass transportation projects or agencies, and it appropriates \$300,000 to INDOT for conducting a western Indiana passenger rail study.

*Postwar Construction Fund:* The bill would expand the purposes for which the Postwar Construction Fund (PWCF) may be used.

*Medicaid Managed Care Provider Contract Requirements:* The bill would require the Medicaid managed care organization (MCO) contract to include a prescription drug program.

*Indiana Check-up Plan Chiropractic Benefits:* The bill would add chiropractic services to the list of benefits required to be included in the Healthy Indiana Plan (HIP).

*State Retiree Health Benefit Trust Fund:* The bill reallocates the Cigarette Tax revenue that is currently used to offset the employer health plan tax credit to a new State Retiree Health Benefit Trust Fund.

*Division of Child Services (DCS) and Ombudsman Provisions:* The bill establishes the Office of the Department of Child Services Ombudsman within the Department of Administration (IDOA). The bill also requires any parental reimbursement obligation to be paid directly to DCS so long as the child in need of services (CHINS), juvenile delinquency, or juvenile status adjustment case is open. The bill also allows DCS to enter into a contract with a private collection agency for the enforcement and collection of any parental reimbursement obligation owed to DCS.

*Special Volume Cap Provisions:* The bill provides that any special volume cap regarding bonds issued under a federal act providing the cap is in addition to the volume cap under Section 146 of the Internal Revenue Code. The Indiana Finance Authority is to be responsible for determining any allocation of special volume

caps.

*Ohio River Bridges Project Commission:* The bill establishes the Ohio River Bridges Project Commission.

*Financial Responsibility Compliance Verification Fund and State License Branch Fund Transfers:* The bill prohibits the transfer of money in the Financial Responsibility Compliance Verification Fund or State License Branch Fund to be transferred or used for any purpose other than the purposes of the fund.

*District Foresters:* For pay periods beginning after June 30, 2009, the bill requires the State Personnel Department to reclassify the job category and skill level applying to district foresters.

*Wabash County Annexation:* This bill adds Wabash County to the counties that may annex noncontiguous property to be used as an industrial park.

*Board of Pharmacy Secure Prescription Program:* The bill requires the Board of Pharmacy to develop a prescription drug program that includes criteria to eliminate prescription drug fraud.

*Prescription Requirements for Blind or Visually-impaired Individuals:* The bill would require pharmacists to dispense a prescription for a legend drug with a label that meets specified requirements at the request of a blind or visually-impaired individual.

*Medicaid Health Facility Quality Assessment Fee (QAF):* The bill extends the authorization for the QAF from August 1, 2009, to August 1, 2011. The bill specifies conditions that a continuing care retirement community (CCRC) must meet in order to be exempt from the QAF. It also provides an exemption for hospital-based health facilities. The bill removes certain provisions to reflect the methodology used to implement the federally approved Medicaid QAF program. It also eliminates the role of the DOR in collecting the QAF. The bill specifies the treatment of revenues collected during a period when the state's Medicaid federal medical assistance percentage (FMAP) is adjusted by the ARRA of 2009.

*Indiana Soldiers' and Sailors' Children's Home (ISSCH) Provisions:* The bill requires the Department of Education (DOE) with the cooperation of the Indiana State Department of Health (ISDH) to open the Indiana Soldiers' and Sailors' Children's Home before July 15, 2009; transfers responsibility for the ISSCH to the DOE; establishes the ISSCH Task Force; requires the Superintendent of the ISSCH to provide the Indiana National Guard Youth Challenge Academy access to all the facilities necessary to carry out the purpose of the Academy and enter into an agreement with the Indiana National Guard to allocate costs for facilities and services used by both the ISSCH and the Academy; allows a juvenile court to order DCS to pay for costs and expenses of placement of a child in the ISSCH; and makes an appropriation of \$2,000,000 to the ISSCH from a General State Assistance Grant from the federal American Recovery and Reinvestment Act of 2009.

*State Road 331:* This bill requires that a part of State Road 331 be operated as a limited access facility.

*Enterprise Zones:* This bill provides that an enterprise zone does not expire between December 1, 2008, and December 31, 2014, if the municipal fiscal body where the enterprise zone is located adopts a resolution requesting the enterprise zone board renew the enterprise zone for an additional five years. It provides that the fiscal body of a municipality containing an enterprise zone that expired after November 30, 2008, or is scheduled to expire before September 1, 2009, has until August 1, 2009, to adopt a resolution to renew the enterprise zone. It provides that a renewal resolution must be adopted at least 30 days before the expiration date in the case of an enterprise zone scheduled to expire after August 31, 2009.

*Performance Based Budgeting:* The bill requires a performance-based budgeting system for bienniums beginning after July 1, 2011.

*Issues Relating to the Department of Insurance (DOI).* This bill makes various changes to the law concerning (1) public purchasing with respect to retaining an insurance examiner; (2) dispensing a legend drug to a visually impaired individual; (3) disclosures of insurer information; (4) insurer annual audited financial reporting; (5) foreign and alien insurers; (6) records of insurer securities holdings; (7) insurance producer licensing and continuing education; (8) certain insurance holding company transactions; (9) insurance administrator licensing; (10) an unauthorized insurers exception in relation to an industrial insured; (11) consistency in compliance with laws by various types of insurers and health maintenance organizations; (12) small employer group insurance requirements; and (13) health plan coverage for dialysis treatment. The bill makes conforming amendments. It repeals (1) definitions of unused terms, requirements for independent auditors, and reports of insurer internal control deficiencies for purposes of the annual audited financial reporting law; (2) a provision concerning notice of claim recoding by insurance administrators; (3) an obsolete cross reference for purposes of the small employer group insurance law; and (4) the small employer insurer voluntary reinsurance program. The bill specifies requirements related to health coverage for dialysis treatment.

*Assigned Service Areas:* This bill specifies the conditions under which a municipally owned electric utility is considered to furnish retail electric service to its customers. It provides that a municipality that owns and operates an electric utility may petition the Indiana Utility Regulatory Commission (IURC) to restore the right to provide electric service to the municipality and change the assigned service area of a public utility upon the termination of the lease agreement between the municipality and the public utility.

*Criminal Code Evaluation Commission:* The bill establishes the Criminal Code Evaluation Commission to evaluate Indiana's criminal laws and recommend changes if necessary or appropriate.

*Direct Loans or Loan Guarantees for Tipton County:* This bill provides the IFA and the Board for Public Depositories with the power to make loan guarantees or direct loans with respect to vendors who have not been paid for the redevelopment project for Tipton County for Chrysler and Getrag and to make a loan to Tipton County to cover debt service payments for the redevelopment project that are payable from county economic development income taxes or property tax increment. It provides that the term of the loan guarantees or direct loan may not exceed \$48 M of vendors and \$4.2 M for Tipton County and may not be longer than three years.

*Rainy Day Fund Loans:* This bill provides for loans from the Rainy Day Fund to: (1) taxing units in LaPorte County; (2) the Covington Community School Corporation for the purpose of retiring an outstanding loan, and (3) to taxing units in cases where an automobile manufacturer has filed bankruptcy.

*Earlham College Trust License Plate:* The bill establishes the Earlham College Trust license plate. It specifies a \$25 fee for the plate. The money from the sale of the plate is to be distributed to Earlham College.

*Anderson Airport Development Zone:* This bill provides that the Anderson airport area may be designated an airport development zone by the Anderson Airport Board.

*Legal Representation:* The bill allows an assessing official defending a determination in the tax court to elect, without the approval of the Attorney General, to be represented by an attorney selected and paid by the defendant, the township, or the county.

*Special Employment and Training Fund:* The bill requires the Department of Workforce Development to release an additional \$700,000 annually for training and counseling assistance from the Special Employment and Training Fund.

**Effective Date:** Upon passage; January 1, 2005 (retroactive); July 1, 2007 (retroactive); January 1, 2008 (retroactive); March 1, 2008, (retroactive); July 1, 2008 (retroactive); October 1, 2008, (retroactive); December 1, 2008; December 30, 2008 (retroactive); January 1, 2009 (retroactive); March 1, 2009 (retroactive); April 1, 2009 (retroactive); July 1, 2009; January 1, 2010; July 1, 2010.

**Explanation of State Expenditures:** The bill has the following state expenditure impacts.

*State Appropriations:* The following summary is for state appropriations during FY 2010.

| <b>Appropriations from SECTIONS 1-35 (Except where noted).</b>           |                         |
|--|-------------------------|
|  | <b>FY 2010</b>          |
| General Government   | \$524,031,731           |
| Corrections  | 683,959,581             |
| Other Public Safety  | 100,856,657             |
| Conservation and Environment   | 86,266,298              |
| Economic Development   | 39,076,194              |
| Transportation [1]   | 53,300,000              |
| Mental Health  | 270,271,979             |
| Public Health  | 74,505,082              |
| Medicaid   | 1,275,526,432           |
| Social Services (incl. F&C, SS, Vets)                                    | 1,064,475,272           |
| Higher Education   | 1,566,366,318           |
| Education Administration   | 46,356,134              |
| Tuition Support - GF   | 6,486,965,000           |
| Social Security - Teachers   | 2,403,792               |
| Teacher's Retirement - GF  | 657,306,248             |
| Other Local Schools and Education  | 416,337,194             |
| Distributions  | 249,753,902             |
| Total Operating  | \$13,597,757,814        |
| Construction - Higher Ed   | \$2,000,000             |
| Construction - Other   | 218,327,373             |
| Total Construction   | \$220,327,373           |
| Total (Oper. + Const.)- GF   | \$13,818,085,187        |
| <b>Other Appropriations</b>  |                         |
| BIF  | \$15,500,000            |
| Other Dedicated - Operating  | 1,934,424,392           |
| Other Dedicated - Construction [2]                                       | 37,995,992              |
| Tobacco Settlement [7]   | 152,161,878             |
| Federal (Non-ARRA)   | 991,741,640             |
| Federal - ARRA(a)  | 169,020,406             |
| Federal - ARRA(b) [6]  | 189,000,000             |
| Other Federal - Transportation [3]                                       | 250,000,000             |
| Other Federal - ARRA Transportation [4]                                  | 200,000,000             |
| Next Generation Trust Fund [5]   | 250,000,000             |
| Total Other  | \$4,189,844,308         |
| <b>Total - All</b>   | <b>\$18,007,929,495</b> |
| <b>Appropriations (from SECTIONS 36 to end) Included in Table Above.</b> |                         |
| [1] GF - Local Transportation  | \$53,000,000            |
| GF - Passenger Rail Study  | 300,000                 |
| [2] Postwar Construction Fund - State Archives Bldg                      | 500,000                 |
| [3] Federal - Transportation   | 250,000,000             |
| [4] Federal - ARRA Transportation  | 200,000,000             |
| [5] Next Generation Trust Fund   | 250,000,000             |
| [6] Indiana Soldiers' and Sailors' Children's Home                       | 2,000,000               |
| [7] Tobacco Settlement - Gary Trauma Care Center Building                | 3,000,000               |

Tobacco Master Settlement Agreement appropriations are presented in the following table.

| <b>Tobacco Master Settlement Agreement Fund Appropriations</b>    | <b>FY 2010</b>     |
|---|--------------------|
| Attorney General  | 494,467            |
| Rural Economic Development Fund                                   | 1,747,688          |
| Indiana Prescription Drug Program                                 | 1,117,830          |
| Children's Health Insurance Program                               | 34,918,921         |
| Community Mental Health Centers                                   | 7,000,000          |
| Substance Abuse Treatment   | 4,855,820          |
| Division of Aging Administration                                  | 1,447,410          |
| Division of Disability and Rehabilitative Services Administration | 360,764            |
| Epilepsy Program  | 463,758            |
| Bureau of Developmental Disabilities Services - Operating         | 1,869,887          |
| Crisis Management   | 4,136,080          |
| Outreach - State Operating Services                               | 2,232,973          |
| Residential Services for Developmentally Disabled Persons         | 15,229,000         |
| Cancer Registry   | 610,647            |
| Minority Health Initiative  | 3,500,000          |
| Sickle Cell   | 250,000            |
| Aid to County Tuberculosis Hospitals                              | 96,883             |
| AIDS Education  | 817,245            |
| HIV/AIDS Services   | 2,162,254          |
| Test for Drug Afflicted Babies                                    | 58,121             |
| State Chronic Diseases  | 1,578,427          |
| Women, Infants, and Children Supplement                           | 190,000            |
| Maternal and Child Health Supplement                              | 190,000            |
| Cancer Education and Diagnosis - Breast Cancer                    | 86,490             |
| Cancer Education and Diagnosis - Prostate Cancer                  | 93,000             |
| Project Respect   | 537,904            |
| Donated Dental Services   | 42,932             |
| Office of Women's Health  | 121,248            |
| Minority Epidemiology   | 697,500            |
| Community Health Centers  | 30,000,000         |
| Prenatal Substance Use and Prevention                             | 150,000            |
| Local Health Maintenance Fund                                     | 3,860,000          |
| Local Health Department Account                                   | 3,000,000          |
| Evansville State Hospital Lease                                   | 2,731,281          |
| Southeast Regional Treatment Lease                                | 5,179,327          |
| Gary Trauma Care Center Building                                  | 3,000,000          |
| Logansport State Hospital Lease                                   | 2,834,021          |
| Tobacco Use Prevention and Cessation Program                      | 14,500,000         |
| <b>Total Tobacco Settlement Funds Appropriated</b>                | <b>152,161,878</b> |

The appropriations from ARRA funds are presented in the following table.

| <b>American Recovery and Reinvestment Act of 2009 - Appropriation Summary</b>   |               |                      |
|---|---------------|----------------------|
| <b>Type</b>   | <b>To</b>     | <b>FY 2010</b>       |
| ARRA(a) * #   | Various       | \$169,020,406        |
| ARRA(b) ** #  | Various       | 189,000,000          |
| ARRA - Transportation   | Budget Agency | 200,000,000          |
| ARRA - IN Soldiers' and Sailors' Children's Home  | ISSCH         | 2,000,000            |
| <b>Total Appropriations</b>   |               | <b>\$560,020,406</b> |
| * ARRA(a): American Recovery and Reinvestment Act of 2009, Section 14002(a).<br>** ARRA(b): American Recovery and Reinvestment Act of 2009, Section 14002(b).<br># Included in state budget bill as line item appropriations. |               |                      |

*Higher Education:* University bonding projects are listed in the following table.

|   | Eligible for<br>Fee Replacement | Total<br>Project   |
|---|---------------------------------|--------------------|
| Ball State University<br>Central Campus Rehabilitation  | \$19,700,000                    | \$19,700,000       |
| Purdue University<br>Life Sciences Laboratory Renovations   | 10,000,000                      | 10,000,000         |
| Medical School Renovations  | 6,000,000                       | 12,000,000         |
| North Central Campus Student Serv and Act Complex   | 23,700,000                      | 30,000,000         |
| Lafayette Campus Student Fitness & Wellness Center  | 0                               | 98,000,000         |
| IUPU at Fort Wayne Parking Garage   | 0                               | 16,800,000         |
| Indiana University<br>Life Sciences Laboratory Renovations  | 10,000,000                      | 10,000,000         |
| East Regional Campus Wellness Center  | 17,500,000                      | 17,500,000         |
| Northwest Campus, Tamarack Hall Replacement *   | 33,000,000                      | 33,000,000         |
| Cyber Infrastructure  | 23,000,000                      | 35,700,000         |
| IUPUI<br>Life Sciences Laboratory Renovations   | 10,000,000                      | 10,000,000         |
| Neurosciences Building  | 16,000,000                      | 33,000,000         |
| Ivy Tech Community College<br>Anderson Campus   | 20,000,000                      | 20,000,000         |
| Bloomington Campus  | 20,000,000                      | 20,000,000         |
| Warsaw Campus   | 10,100,000                      | 10,100,000         |
| Gary Campus   | 20,000,000                      | 20,000,000         |
| Elkhart Phase I Additional Authorization (Above 2007)   | 4,000,000                       | 4,000,000          |
| Vincennes University<br>Davis Hall  | 850,000                         | 850,000            |
| P.E. Building   | 5,000,000                       | 5,000,000          |
| Indiana State University<br>Federal Building  | 10,000,000                      | 20,000,000         |
| University of Southern Indiana<br>Teacher Theater Replacement Project   | 15,000,000                      | 15,000,000         |
| <b>Total Bonding</b>  | <b>273,850,000</b>              | <b>440,650,000</b> |
| * The authorization for Tamarack Hall Replacement is reduced by any funds that Indiana University receives for the replacement as insurance proceeds. |                                 |                    |

The fee replacement on the \$273.85 M of bonding authority would be about \$21.97 M per year for 20 years at 5% interest.

The bill also reinstates about \$210 M of bonding that was authorized by the 2007 General Assembly. The fee replacement on that bonding would be about \$16.8 M per year over 20 years.

*Higher Education Energy Saving Projects:* The bill would increase the current limit of \$10 M for each state educational institution on qualified energy saving bonds to \$20 M per campus. The bill would increase the



amount of qualified energy saving bonds that can be issued by a state educational institution. [Currently, only Indiana University and Purdue University have qualified energy saving bonds (about \$8.6 M for Purdue University and \$8.8 M for IU). There are 7 state educational institutions with approximately 32 campuses.]

*Higher Education Operating Base:* The bill clarifies that the base appropriations for higher education calculations in the FY 2011-2013 budget includes any funds from the ARRA. The bill uses about \$164.4 M of State Fiscal Stabilization funds in FY 2010. The impact on the 2011-2013 budget will depend on future legislative action.

#### K-12 Education-

*School Formula:* The bill provides a one-year school formula for CY 2010. The following table outlines the increase over CY 2009 funding levels. The free and reduced lunch percentage used in the formula is updated to the 2009 school year's percentage of students eligible for free or reduced lunch. The foundation grant is reduced from \$4,825 in CY 2009 to \$4,720 in CY 2010, and the free and reduced lunch funding level in the complexity index is reduced from \$2,400 to \$2,348 for CY 2010. The adjusted ADM used in the formula is the greater of a school's 5-year average ADM or the prior year's ADM plus 80% of the increase in ADM. School corporations cannot receive less regular tuition support ("hold harmless") than they received in CY 2009. The special education, career and technical education, prime time, and honors grants are funded at the same level as 2009. The CY 2009 calendar year tuition support cap is reduced from \$6.509 B to \$5.861 B, with the reduction of about \$579 M in state funds being funded by federal education stabilization funding.

|                               | <b>CY 2009</b> | <b>CY 2010</b> | <b>Difference</b> | <b>% Diff</b> |
|-------------------------------|----------------|----------------|-------------------|---------------|
| <b>State Regular</b>          | 5,763,895,565  | 5,930,260,629  | 166,365,064       | 2.9%          |
| <b>Special Education</b>      | 458,207,827    | 459,120,686    | 912,859           | 0.2%          |
| <b>Career &amp; Technical</b> | 87,168,425     | 89,750,528     | 2,582,103         | 3.0%          |
| <b>Prime Time</b>             | 121,501,078    | 120,633,879    | (867,199)         | -0.7%         |
| <b>Honors</b>                 | 17,143,200     | 18,029,473     | 886,273           | 5.2%          |
| <b>Total</b>                  | 6,447,916,095  | 6,617,795,195  | 169,879,100       | 2.6%          |

*School Property Tax Replacement Grants:* The bill changes the school property tax replacement grant calculation. Under current law, to qualify for the grant a school must have circuit breaker losses of more than 2% of its total school property tax levy. For CY 2009, it is estimated that the current grant will provide sufficient funding to pay 100% of the circuit breaker losses for schools where the loss exceeds 2% of levy. Beginning in CY 2010, this bill changes the distribution of these grants to pay for the circuit breaker losses of any school with a revenue loss over 0.15%.

As an example, under current law, if a school's total levy was \$10,000 and their circuit breaker loss was \$600, then the school would qualify for a \$600 grant, and if their loss was \$100, then they would not qualify for a grant since the loss is less than 2% of levy. Under the bill, if the loss is \$600, then they would qualify for a \$585 grant ( $\$600 - 0.15\% \times \$10,000$ ), and if their loss is \$100, then they would qualify for an \$85 grant ( $\$100 - 0.15\% \times \$10,000$ ).

The estimated revenue for school property tax replacement grants is \$118 M for CY 2010, or about \$48 M

more than the amount to be distributed by HEA 1001-2008.

*Comer School Development Program:* The bill would establish the Comer School Development Program to fund pilot programs at public urban schools that have at least 50% of the students eligible for free or reduced lunch the prior year and at least 10% of the teachers have a limited license or are teaching outside their licensed area. The pilot programs would include:

1. Professional development for teachers.
2. Curriculum development and oversight.
3. Development of support systems that promote student learning.
4. Community development.
5. Significant matching funds from nonprofit entities or businesses.
6. Parental participation.

The bill would create the Comer School Development Fund to provide funding for the pilot programs. The fund consists of gifts, appropriations by the legislature, and grants. Any money in the fund at the end of the fiscal year would not revert to the General Fund. The impact would depend on the number of pilot programs funded by the legislature and the grants or gifts the fund might receive. This bill contains a \$1 M appropriation for the fund.

*Student Test Number:* The bill also requires the Department of Education to maintain student test number information in a manner and form that permits authorized personnel to review the information at any time and accurately determine where each student is enrolled and the number of students enrolled in the school corporation or charter school. The department would have to create a system where schools would report when a student enrolls or leaves a school. The main cost would be developing the database. The database would be developed within existing resources.

*School Business Officials:* The bill requires the Department of Education to make grants to an academy that is established to strengthen the leadership and management skills of school business officials. The bill includes an appropriation of \$150,000 for that purpose.

#### State Tax Provisions-

*Department of State Revenue Provisions: Electronic Filing -* The bill imposes electronic filing requirements on: (1) persons registering as retail merchants; (2) entities registering to withhold Individual Adjusted Gross Income (AGI) Tax; and (3) refiners, terminal operators, and distributors remitting prepaid Sales Tax on gasoline. This requirement is effective after December 31, 2009. The bill requires these persons or entities to report and remit Sales and Use Tax or file the withholding tax report and remit withholding taxes electronically through INtax - the DOR's online tax filing program. The bill does not apply to retail merchants registered before January 1, 2010, but adding an additional place of business after December 31, 2009. The electronic filing requirements for retail merchants and entities withholding AGI Tax are expected to result in future administrative savings to the DOR. These savings are indeterminable.

*Municipal Income Report-* This bill requires the DOR, in cooperation with the DLGF and the SBA to develop an annual report to: (1) identify the total number of taxpayers that live within a particular city or town; (2) identify the total adjusted gross income of those taxpayers; and (3) include any other information that can be abstracted from the taxpayers' individual income tax returns, as agreed to by DOR and the Legislative Services Agency. The DOR must provide this information to the Legislative Services Agency upon written

request. This requirement will increase staff workload and use of computer resources at DOR, the Department of Local Government Finance (DLGF), and the State Budget Agency (SBA).

*Other Provisions-* The following provisions of the bill expected to result in minimal reductions in administrative cost for DOR are as follows:

- Requiring, instead of permitting, rounding to the nearest dollar of amounts on an income tax return.
- Requiring persons on a payment plan with the DOR to make periodic payments via electronic funds transfer.
- Requiring payments to the DOR with guaranteed funds when payment by a person cannot be collected and the person is assessed a 100% bad check penalty.

The following provisions of the bill expected to result in minimal increases in DOR's administrative costs are as follows:

- Requiring DOR to compile and publish on its Internet website a list of retail merchants whose certificates have not been renewed or whose registration with the DOR has been revoked.
- Revisions of tax forms, instructions, and computer programs to reflect changes to tax deductions and tax credits.

*Gross Income Tax Refund:* The bill allows a town to qualify for a refund of Gross Income Tax that it erroneously paid in 2003 at the same time that it paid the Utility Receipts Tax. The amount to be refunded under the bill is unknown. In addition, it is unknown whether there is more than one town that would qualify for a refund under the bill.

#### *Property Tax, Budget, and Miscellaneous Tax Provisions-*

*Reassessment:* The one-year delay in the general reassessment could defer DLGF expenses for oversight by one year.

*Trending Catch-Up:* This bill provides that if a county assessor fails to deliver assessed values to the county auditor, then the DLGF would develop the trending factors to apply to affected assessments.

*Software Contracts:* Under current law, the DLGF must be a party to any contract between a county assessor and a professional appraiser or providers of assessment software. This provision clarifies that this requirement also applies to contract addendums. This allows the DLGF to play a role in the enforcement of these contracts.

*Sales Disclosure:* Under current law, the DLGF receives \$5 from the filing of each sales disclosure form. In FY 2008, the DLGF received \$864,950, which was deposited into the state Assessment Training and Administration Fund. Money in the fund may be used (1) by the DLGF to pay the expenses for development and administration of training programs for assessment officials and DLGF employees and (2) by the Indiana Board of Tax Review (IBTR) to conduct appeal activities or pay for appeal services. Under the bill, the DLGF could use the proceeds for database management expenses in addition to the current uses.

*Control Boards:* This proposal eliminates both the School Property Tax Control Board and the Local Government Property Tax Control Board. The School Control Board is comprised of five voting members

plus two ex officio, nonvoting members. The Local Control Board is comprised of seven voting members plus two ex officio, nonvoting members. The school control board scheduled 12 meetings in 2008, while the local control board scheduled 13 meetings. All members of the control boards receive mileage reimbursement, and members who are not state employees receive a salary per diem. These expenses, which are paid from the state General Fund, would be eliminated under this bill.

Petitions regarding budgets for new taxing units, excessive levy appeals, debt issues, and any other items that currently come before the control boards would be made directly to the DLGF.

*Tax Bills:* The form of the property tax billing statement is currently prescribed by the DLGF but must also be approved by the State Board of Accounts. This bill would eliminate the requirement for Board of Accounts approval, allowing the Board to direct those resources elsewhere.

*School Assessment Ratio Studies (SARS):* Under current law, the DLGF must compute a school assessment ratio study each year in which a general reassessment occurs and in other years if the DLGF determines that there are sufficient assessment changes to warrant one. The study must include a new assessment ratio for each school corporation and a new state average assessment ratio. The ratio is an assessment of whether, and to what extent, real property within a school district has been assessed according to the assessment laws and rules.

Under this bill, the SARS would be required only for school corporations in counties that impose a supplemental county levy for schools. These school corporations are in Lake and Dearborn Counties. The state average ratio would no longer be required.

The SARS ratios had been used in determining property tax levies for school corporation general funds and are referenced in the statute concerning the county supplemental distributions. Since the school general fund levy has been eliminated, there is no need to compute these ratios in most counties. This provision would allow the DLGF to redirect resources that would have been used to complete a new SARS.

*Homestead Credits:* Under HEA 1001-2008, the state will pay homestead credits in the amount of \$140 M in CY 2009 and \$80 M in CY 2010. The state is required to make distributions to counties within two weeks from the date that a county sends a tax bill that includes the credit. Most counties send a two-part bill in one mailing that includes coupons for both installments of the property tax bill. The state must pay the entire calendar year's distribution to the county within two weeks of that mailing.

This bill would require the state to make the payments in two installments, each not later than the due date for each property tax installment. For counties with on-time billings, this provision would spread the calendar year payments over two fiscal years. For counties with late billings but with two installments, this provision would allow the state to hold one-half of the annual payment until the due date of the second installment. The state would earn additional interest on those funds.

*Referenda:* The bill would require the DLGF to post the following information regarding a proposed controlled project on the DLGF's web site:

- (1) The cost per square foot,
- (2) The effect on the tax rate.
- (3) The maximum term of the bonds or lease.
- (4) The maximum principal amount.
- (5) The estimated interest rate.

(6) The purpose of the bonds or lease.

(7) For schools, the current and proposed square footage per student, enrollment patterns, and the age and condition of the current facilities.

There should be no fiscal impact to the DLGF for posting this information.

*Commission on State Tax and Financing Policy:* The bill would require the Commission to do the following:

(1) Study the allocation and distribution of local option income tax revenues to local units;

(2) Study whether taxpayers are permitted the opportunity to participate in the local budget process;

(3) Receive an Attorney General report concerning the use of private legal counsel by taxing units in an appeals case;

(4) Study the advisability of eliminating the general real property reassessment; and

(5) Review DLGF recommendations to restore the budget and tax billing timeline.

The Commission would report its findings to the Legislative Council before November 1, 2009.

*Solid Waste Management Districts:* IDEM would have to review the district plans of those counties that become a single-county solid waste management district either by default or because the joint district they belonged to has dissolved. IDEM may have to expend additional resources to meet this requirement.

#### Miscellaneous Provisions-

*Pension Stabilization Fund:* The bill increases the amount that must be contributed from the Pension Stabilization Fund to pay the pension benefits from the Pre-1996 Account in the Teachers' Retirement Fund (TRF). By current statute, payments from the Pension Stabilization Fund must equal the Pre-1996 Account liabilities for the current fiscal year minus the prior year's state General Fund payments for the Pre-1996 Account, multiplied by a percentage. The bill reduces the required percentage from 106% to 104%. This change will reduce the rate of growth for the General Fund share of future teacher pension obligations.

Based on FY 2009 appropriations, this percentage change would result in increased contributions from the Pension Stabilization Fund of about \$13.3 M for FY 2010, and a corresponding decrease in the General Fund obligation in FY 2010.

For FY 2010, the bill also redirects to TRF the \$30 M transfer from the Lottery Commission. Under current statute, the \$30 M is deposited in the Pension Stabilization Fund to be used as a credit against the unfunded accrued liability of the Pre-1996 Account. For FY 2010 only, the \$30 M is appropriated for current TRF liabilities.

*Direct Loans or Loan Guarantees for Tipton County:* This bill provides the IFA and the Board for Public Depositories with the power to make loan guarantees or direct loans related to a project in Tipton County involving Chrysler and Getrag. It provides that the term of the loan guarantees or direct loan may not exceed \$48 M for vendors and \$4.2 M for Tipton County and may not be longer than three years. If the interest from any new loans generate less earnings from the PDIF than current investments, the distribution of interest earnings to the Pension Relief Fund could be reduced. This would increase the amount of distributions required from other sources in the Pension Relief Fund to cover obligations of the Pre-1977 police and fire funds.

The balance of the Public Deposit Insurance Fund (PDIF) as of June 30, 2008, was \$314.6 M. SEA 524-2001 requires that interest earned on the PDIF be distributed to communities for police and fire pension relief. This

amounted to \$14.6 M in 2008. HEA 1001-2008 requires the Pension Relief Fund to send distributions to local units to cover benefits for the Pre-1977 police and fire funds after subtracting the distributions from the PDIF. It is estimated that pension distributions for the Pre-1977 Funds would be approximately \$97.2 M in CY 2009 and \$100.9 M in CY 2010. The Pension Relief Fund receives revenue from a dedicated portion of cigarette and liquor taxes, investment income, and lottery revenue.

*Local Project Funding:* The bill appropriates \$700 M from designated federal funds, the American Recovery and Reinvestment Act (ARRA) of 2009, and the state Next Generation Trust Fund (NGTF) to the Budget Agency for distribution among counties, and cities and towns for expenditure by July 1, 2011. The distribution to counties, cities, and towns is made using the Local Road and Street Account formula. From the federal Highway Bridge Program, the Equity Bonus Program, and the Surface Transportation Program, \$250 M is appropriated. Another \$200 M is from Indiana's apportionment under the ARRA for engineering, land acquisition, construction, resurfacing, restoration, or rehabilitation of highway facilities. Additionally, \$250 M is appropriated from the NGTF. The funds appropriated to the Budget Agency do not revert to the state General Fund or to another fund, but may be used by the Budget Agency until July 1, 2011.

[Indiana was apportioned \$578.9 M in FFY 2008 and \$593.8 M in FFY 2009 from the three named federal programs. On February 5, 2009, the balance in the NGTF was approximately \$551 M. This would leave a balance in the fund of \$301 M after the appropriation to counties, cities, and towns. Under current law, the principal of the NGTF does not diminish, but the NGTF pays its available interest to the Major Moves Construction Fund each five years beginning on March 15, 2011.]

*Mass Transportation Projects and Passenger Rail Study:* Beginning in July 1, 2008, and ending June 30, 2010, the bill makes the following appropriations from the state General Fund:

| <b>Grant Recipient</b>                         | <b>Purpose</b>   | <b>Amount</b> |
|--|--|---------------|
| Northern IN Commuter Transportation District   | Relocate rail lines to west side of South Bend airport   | \$15 M        |
| Northern IN Commuter Transportation District   | Conduct preliminary engineering and environmental studies and activities for Phase 1 of the West Lake line | \$15 M        |
| Northern IN Commuter Transportation District   | Railroad track safety and efficiency improvements in Michigan City   | \$ 5 M        |
| Central IN Regional Transportation District    | Advance the proposed rail transit for the northeast corridor of central Indiana                            | \$15 M        |
| Indianapolis Public Transportation Corporation | Purposes authorized under IC 36-9-4  | \$ 3 M        |

In addition, the bill appropriates \$300,000 from the state General Fund for a study of passenger rail in western Indiana beginning July 1, 2009, and ending June 30, 2011. INDOT is required to study the feasibility of an interstate rail system connecting Chicago and Evansville via existing rail corridors, and INDOT is allowed to cooperate with the transportation officials of Illinois or other states that are members of the Interstate Rail Passenger Network Compact.

*Department of Child Services Ombudsman:* This bill establishes the Office of the Department of Child Services Ombudsman within the Department of Administration (IDOA). It provides that the Ombudsman is appointed by the Governor, serves at the pleasure of the Governor, and may employ experts and other

employees to carry out the duties of the Office. The bill requires the Ombudsman to be an attorney or a person with at least a master's degree in social work. The bill specifies the powers and duties of the Office. It specifies that the Ombudsman may receive, investigate, and attempt to resolve complaints that DCS has failed to follow a specific law, rule, or policy, and thereby failed to protect the health or safety of a child. The bill also provides that the Ombudsman may review certain records, and it prohibits the redisclosure of certain confidential records. It requires that a copy of the Office's annual report be posted on DCS's Internet web site and on any Internet web site maintained by the Office. The bill also provides immunity from civil liability to: (1) persons who release information to the Office; and (2) the Ombudsman and other employees of the Office for the good faith performance of official duties. It is estimated that \$445,400 annually would be required to establish the Office.

*Postwar Construction Fund:* The bill would expand the purposes for which the Postwar Construction Fund (PWCF) may be used to include facilities for the activities of state agencies or branches of state government. (Currently, the PWCF may be used for the construction of penal, benevolent, charitable, and educational institutions and for public safety projects.) The Postwar Construction Fund is funded by distributions from alcoholic beverage excise taxes.

*Medicaid Managed Care Provider Contract Requirements:* The bill would require the Medicaid managed care organization (MCO) contract to include a prescription drug program. This requirement would eliminate the possibility of removing pharmacy expenditures from the MCO contracts in order to maximize the amount of drug rebates that could be claimed by the Medicaid program. An initial estimate of the dollar amount of rebate revenue that might otherwise be available indicated a potential for additional annual, state-only revenue of \$22 M.

*Indiana Check-up Plan Chiropractic Benefits:* The bill would add chiropractic services to the list of benefits required to be included by the Indiana Check-up Plan (ICP) in a manner and to the extent as those offered for physician office services. The Office of Medicaid Policy and Planning (OMPP) reported to the Health Finance Commission during the 2008 interim session that chiropractic services were not offered in the ICP benefit package due to federal fiscal neutrality requirements for the HIP Medicaid waiver. The fiscal impact of the requirement has been estimated by the OMPP to be \$2.5 M in additional annual cost to the ICP benefit plan.

*State Retiree Health Benefit Trust Fund:* The bill establishes the State Retiree Health Benefit Trust Fund to provide funding for the State Retiree Health Benefit Plan. The fund is to be administered by the State Budget Agency and is to be considered a trust fund, such that money can not be transferred, assigned, or otherwise removed from the fund by the State Board of Finance, the Budget Agency, or any other state agency, other than for the exclusive benefit of participants of the State Retiree Health Benefit Plan.

The bill also changes the distribution of Cigarette and Tobacco Tax revenue and provides that 6.56% of the revenue that would have been deposited in the state General Fund for the purpose of a health initiative and for reimbursing the state General Fund for the employer health plan tax credit provided under IC 6-3.1-31 is to now be distributed to the trust fund. The estimated distribution of tax revenue is approximately \$32 M annually; however, cigarette and tobacco products tax revenue may decline from these levels in future years due to recent increases in federal cigarette taxes.

*State Budget Agency Quarterly Reporting:* The bill would require the State Budget Agency to report to the Legislative Council on a quarterly basis certain information regarding the reversion, reassignment, or transfer of money or appropriations in excess of \$250,000 from any dedicated fund to the state General Fund.

*Department of Child Services Provisions:* This bill will increase the speed by which DCS receives payment for a parental reimbursement obligation, so long as the child's case is still open. Additionally, the bill will allow DCS to contract with a private collection agency to collect parental reimbursement obligations which can help to increase revenue to the Department.

*Ohio River Bridges Project Commission:* This bill establishes the 5-member Ohio River Bridges Project Commission. The Commission is to work with lawfully authorized representatives of the Commonwealth of Kentucky to prepare a proposed agreement between Indiana and Kentucky to govern the financing, construction, and maintenance of Ohio River bridge projects.

The Commission is to submit any proposed agreement to the Governor for the Governor's approval. If the proposed agreement is approved by the Governor, the Commission shall submit the proposed agreement to the General Assembly for introduction in the first session of the General Assembly beginning after the date of the Governor's approval. The Commission consists of five voting members.

The Commission is to operate under the policies governing study committees adopted by the Legislative Council. Legislative Council resolutions in the past have established budgets for interim study committees in the amount of \$9,500 per interim for committees with fewer than 16 members. The fund affected is the state General Fund.

The Commission is to file an annual report with the Legislative Council in an electronic format by November 1 of each year. The Legislative Services Agency is to provide the staff for the support of the Commission. The Commission may meet at any time during the calendar year. The Commission expires December 31, 2019.

*Financial Responsibility Compliance Verification Fund and State License Branch Fund Transfers:* The bill prohibits money in the Financial Responsibility Compliance Verification Fund or State License Branch Fund from being transferred or used for any purpose other than the purposes of the fund.

*Prohibition of Contracting Management or Operation of a Correctional Facility:* The Department of Correction (DOC) has contracted with GEO Group to manage the New Castle facility since January 2006, for an initial term of four years. After 2010, DOC would be required to employ state employees to manage and operate New Castle. If the costs of contracting with GEO to operate the New Castle facility is significantly less than requiring DOC employees to operate the facility, DOC expenditures may increase. The New Castle Facility is a medium security prison containing dormitories and celled space. The average daily population was 1,706 in FY 2008.

*District Foresters:* This provision would increase expenditures to the DNR by an estimated \$127,000 annually. This personnel expense would be paid from the main operating account of the Division of Forestry. This account is 1/3 General Fund and 2/3 dedicated.

*Board of Pharmacy Secure Prescription Program:* The bill requires the Board of Pharmacy to develop a prescription drug program that includes criteria to eliminate prescription drug fraud. The bill would allow the contract with a provider that meets specified criteria to implement the program. It has been estimated that a total of \$4.74 M in state funds would be required if the Board would implement a program meeting the specifications of the bill: \$4.1 M to provide for the state issuance of an official tamper-resistant prescription drug form, \$538,000 for an additional 10 positions in the Professional Licensing Board (IPLA), and an estimated \$100,000 for Medicaid claims processing systems modifications. This estimate does not include



other operating expenses to equip, supply, or house the additional staff necessary to operate the program within the IPLA; any necessary enhancements to the IPLA computer system; or associated enforcement costs to law enforcement, IPLA, or the Attorney General. If a program to provide validation of prescriptions would achieve savings similar to those experienced in New York State, the annual Medicaid fee-for-service drug expenditures may be reduced by approximately \$12.4 M in state funds after the program is implemented. Depending on the date of full implementation, the level of savings in Medicaid may be temporarily reduced due to Medicaid stimulus funding available under the American Recovery and Reinvestment Act, which would temporarily reduce the required state match. An indeterminate level of savings may also be realized in state and local government employee health benefit plans.

*Medicaid Health Facility Quality Assessment Fee:* The bill extends the authorization for the QAF from the current expiration date of August 1, 2009, to August 1, 2011. The bill requires that 80% of the QAF collected must be used to leverage federal Medicaid matching funds to enhance nursing facility reimbursement targeting specific uses. The remaining 20% of the estimated QAF must be used to offset Medicaid costs incurred by the state. Should federal financial participation become unavailable to provide for the additional reimbursement, the bill provides that OMPP will cease to collect the QAF.

A 6.2% enhanced federal Medicaid match add-on as well as an estimated 2.77% bonus unemployment percentage will be available to the state from October 1, 2008, to December 31, 2010. Assuming that the bonus unemployment percentage would not increase over the period of time that stimulus funds will be available, the 80% share of the QAF targeted to nursing home reimbursement is estimated to result in about \$177.1 M more in total reimbursements to nursing facilities than would have been paid using the state's regular FMAP over the time period ARRA stimulus funds are available.

*Indiana Soldiers' and Sailors' Children's Home Provisions:* The continued operation of the ISSCH by the DOE will result in a continuation of state expenditures of approximately \$10.4 M per year. The bill may further increase state expenditures by approximately \$317,000 annually if the DOE provides administrative staff for the ISSCH. Additionally, the bill appropriates \$2 M from the ARRA for (1) modernizing, (2) renovating, and (3) repairing the ISSCH. The bill will also increase state expenditures; (1) to finance the meetings of the Task Force and (2) if the DCS is required to finance the residence charges of wards of the state referred to the ISSCH. [State expenditures to provide for the operation of the ISSCH can be partially offset by (1) maintenance costs collected from DCS and/or the legal guardians of children referred to the ISSCH, and (2) any cost-sharing agreement made between the National Guard and the ISSCH for shared services and facilities.]

The ISDH reported employing three broad band executives for the administration of the ISSCH. The salaries for these employees was provided from the ISDH operational funds and not from funds appropriated for the operation of the ISSCH. These three positions received approximately \$317,000 annually in salary and fringe benefits from the ISDH. If the DOE (1) requires similar positions, (2) provides the same salary and fringe benefits to the employees, and (3) the funds do not come from the \$10.4 M appropriated to the ISSCH, state expenditures can be expected to increase by approximately \$317,000.

*State Road 331:* The Indiana Department of Transportation (INDOT) reports that the State Road 331 project is an active project. The bill allows for nine intersections along the corridor. The bill also prohibits INDOT or any political subdivision to authorize any additional curb cuts or intersections after January 1, 2009, on the designated highway. [INDOT notes that there is an existing intersection, with the Toll Road entrance/exit, that is within the limits of the project which is not listed in the bill, along with some other limited access openings. INDOT also has an existing contract with private parties to allow access across from the Toll Road

access. However, it is not clear if these will be impacted by the provisions of the bill.]

*Performance Based Budgeting:* The bill could increase administrative costs to develop meaningful performance measures and to measure the agency outcomes.

*Issues Relating to the DOI.* The DOI will require no staffing changes as a result of the bill. State expenditures for the DOI should remain constant.

*IURC :* This bill will increase the administrative expenditures of the IURC as a result of the IURC conducting hearings on petitions submitted by municipally owned utilities. The amount of any increase is indeterminable but is expected to be minimal.

*Criminal Code Evaluation Commission* – This bill provides that the 16-member Commission would evaluate Indiana’s criminal laws and recommend changes if necessary or appropriate. The Commission would include eight legislators, four state employees, two judges with criminal jurisdiction, and two law school professors who have expertise in criminal law. The committee is to operate under the policies governing study committees adopted by the Legislative Council. Legislative Council resolutions in the past have established budgets for interim study committees in the amount of \$16,500 per interim for committees with 16 members or more. Two state agencies, the Criminal Justice Institute and the Legislative Services Agency, would provide staff assistance. The legislation authorizing this Commission would expire on December 31, 2011.

*Rainy Day Fund Loans:* As of June 30, 2008, the balance in the state Rainy Day Fund was \$363.0 M.

Under this bill, the various taxing units in LaPorte County would be eligible to apply for loans from the state’s Rainy Day Fund to cover cash flow shortages caused by late property tax billings. The total amount of the loans available to all taxing units in the county would be limited to \$36 M. The loans would be paid within 72 months at an interest rate determined by the State Board of Finance.

Also under this bill, the Covington Community School Corporation would be eligible to apply for a loan before June 30, 2009, to pay a tax anticipation warrant. The loan may not exceed \$2.7 M and would have to be repaid with interest in equal installments over five years. The interest rate may be less than the normal variable rate charged for loans from the fund, and the outstanding balance may be repaid anytime before the five-year period expires, without penalty.

The bill also allows taxing units that suffer a significant revenue shortfall because of an automobile manufacturer bankruptcy to borrow up to a total of \$34 M. The loans must be repaid within 10 years and would be interest free. Currently, taxing units may apply for a loan if the unit experiences a significant revenue shortfall because of a default on property taxes as a result of a bankruptcy filing by a microelectronics manufacturer.

*Earlham College Trust License Plate:* Prison Enterprise Network (PEN PRODUCTS), manufacturing and sales arm of prison-made products, charges the Bureau of Motor Vehicles (BMV) for the manufacture of license plates. PEN PRODUCTS will charge the BMV \$3.19 per plate for single-color printing under the digital license plate system. The charge for multi-color printing is \$3.69 per plate

The bill establishes the Earlham College Trust Fund. The BMV is to administer the Fund, and expenses of administering the Fund are to be paid from the Fund. Money in the Fund is continuously appropriated and is to be distributed annually to Earlham College. Money in the Fund at the end of a state fiscal year does not

revert to the state General Fund.

*Special Employment and Training Fund:* Current law allows the Commissioner of Workforce Development to allocate up to \$2 M annually for pre-apprenticeship and apprenticeship training and counseling assistance relating to the construction trades. The bill requires the use of \$700,000 annually for training and counseling assistance for individuals who have been unemployed for at least four weeks and who earn less than \$20,000. Of the \$700,000, \$400,000 would be for training and counseling services provided by Hometown Plans and \$300,000 for training and counseling services to enable individuals to apply for admission to apprentice programs. [The Special Employment and Training Services Fund as of June 16, 2009, had a balance of about \$16.5 M and had received about \$7.1 M in interest and penalties from employers delinquent in unemployment taxes.]

**Explanation of State Revenues:** *Gaming License Transfers:* The bill prohibits the Indiana Gaming Commission (IGC) and the Indiana Horse Racing Commission (IHRC) from doing either of the following:

- (1) Imposing by rule a fee not authorized by statute on any party to a proposed transfer of an ownership interest in a pari-mutual horse racing permit, a riverboat casino owner's license or operating agent permit, or a racetrack slot machine facility license;
- (2) Make the IGC's or IHRC's approval of a transfer of such a license or permit contingent upon payment of any amount not authorized by statute.

The IGC and IHRC adopted rules in 2007 requiring payments to be made to the state by persons transferring an ownership interest in a pari-mutual horse racing permit, a riverboat casino license or operating agent permit, a racetrack slot machine facility license, or a supplier's license. The IGC rule is no longer in effect, but the IHRC rule remains in effect. Any future fiscal implications of prohibiting the IHRC from continuing to impose a transfer fee or contingent payment are indeterminable because the frequency of future ownership transfers is unpredictable.

#### State Tax Provisions-

*Streamlined Sales Tax:* The bill changes the definition of "gross retail income" for purposes of the Sales Tax and makes three other changes for purposes of conformity with the Streamlined Sales Tax agreement. The bill sources Internet access and telecommunications ancillary services to the customer's place of primary use, and sources floral wire delivery orders to that florist who takes the original order. The bill also requires at least 30 days between enactment and effective date of a Sales Tax rate change for retail merchants to be liable for failure to collect tax at the new rate. These changes are not expected to result in a fiscal impact.

*Headquarters Relocation Tax Credit:* The bill makes the following four changes to the tax credit effective July 1, 2009. The net revenue impact of the credit depends on the extent that tax collections on headquarters employees and other taxable activities attributable to the headquarters is less than or exceeds the credits claimed by the business. However, if the headquarters relocation would have occurred in the absence of the tax credit, the net impact is equal to the total credits claimed by the business.

The bill: (1) Lowers the worldwide revenues threshold from \$100 M to \$10 M for a business relocating to Elkhart County before July 1, 2010, to qualify for the tax credit.

(2) Lowers the worldwide revenues threshold from \$100 M to \$20 M for all other corporations to qualify for the tax credit.

(3) Limits the tax credit to corporate headquarters relocations where the headquarters is relocated to a county

having an unemployment rate as of March 1, 2009, of at least 15% according to the Department of Workforce Development. This would apply to the following counties: Elkhart, LaGrange, Miami, Noble, Stark, and Steuben.

(4) The bill prohibits the DOR from allowing the tax credit for a headquarter's relocation made after June 30, 2011.

*STIF Districts:* The bill authorizes the establishment of a sales tax increment financing district in Warrick County. The STIF district would have to be reviewed and approved by the State Board of Finance. If approved, the STIF district would reduce Sales Tax collections deposited in all the funds in the current Sales Tax distribution formula by an indeterminable amount. This would occur as sales taxes from retail transactions within the proposed Warrick County STIF district are diverted from state funds to the STIF fund for the district. The net revenue impact of diverting the Sales Tax collections to the Warrick County STIF district depends on the extent that additional tax collections from retail activity and employment attributable to the investment in the STIF district is less than or exceeds the amount of Sales Tax collections diverted to the district's STIF fund. However, if the investment would have occurred in the absence of the STIF district, the state incurs a revenue loss equal to the total amount of Sales Tax collections diverted to the district's STIF fund. Sales Tax collections are currently deposited in the state General Fund (99.178%), the Public Mass Transportation Fund (0.67%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%). The revenue that would have been deposited in these funds will be deposited in the Warrick County STIF fund.

*Sales Tax Exemption for LIHEAP:* Making the Sales Tax exemption for LIHEAP permanent is expected to reduce state Sales Tax revenue by approximately \$6.7 M in FY 2010 and \$7.4 M in FY 2011. It should be noted that the extent of this reduction will depend in large part on the federal appropriations for LIHEAP.

*RV Sales Tax Exemption to Nonresidents from Non-Reciprocal States:* This bill exempts sales of RVs and cargo trailers to nonresident purchasers who take the RV or trailer out of the state within 30 days and register it in another state which does not provide a reciprocal drive-out exemption. This provision is estimated to decrease Sales Tax collections between \$1.6 M and \$3.3 M annually. The DOR lists nine states which do not provide a reciprocal drive-out exemption: Arizona, California, Florida, Hawaii, Massachusetts, Michigan, Mississippi, North Carolina, and South Carolina.

*RV Sales Tax Exemption under Certain Conditions:* This bill provides that the gross retail income derived from the sale of a recreational vehicle is exempt from the state Gross Retail Tax if each of the following requirements are satisfied:

1. The RV is new and has not been titled or registered for use in Indiana or any other state or country.
2. The RV was built in Indiana.
3. The seller of the RV is an Indiana-licensed dealer of RVs.
4. The purchaser of the RV is an Indiana resident.
5. The purchaser of the RV signs a purchase agreement and makes a down payment at a recreational vehicle show that is hosted by a nonprofit organization organized under the laws of Indiana and open to the public for not more than five consecutive days.

The impact of this provision is indeterminable.

*Income Tax Deduction for Property Taxes:* The bill increases for certain taxpayers the maximum allowable homeowner's income tax deduction for property taxes paid in tax year 2009 only. The increase in the maximum allowable deduction would apply only to homeowners who make on-time payment of any or all of their 2007 Pay 2008 property taxes in 2009. This provision will not result in additional revenue loss to the

state, but will shift revenue loss that would otherwise occur in FY 2009 (attributable to tax year 2008 AGI tax payments) to FY 2010 (attributable to tax year 2009 AGI tax payments). The precise revenue loss that could potentially be shifted from FY 2009 to FY 2010 is indeterminable and depends on the number of homeowners receiving late property tax bills and the magnitude of these late billings.

*Captive REIT Addback:* The bill specifically excludes a listed property trust or other foreign real estate investment trust (REIT) from the definition of a captive REIT under the addback provision of the Corporate AGI Tax relating to dividend payments from a captive REIT to a parent company. These trusts are currently interpreted to be excluded from the addback, so the amendment will have no fiscal impact. Under the bill, the exclusion applies to these trusts if they are organized in a country that has a tax treaty with the U.S. Treasury Department governing the tax treatment of such trusts.

*Treatment of Intermediary Pass Through Income:* The bill clarifies the treatment of income paid from an Indiana pass through entity to a pass through entity domiciled in another state. Based on the Tax Court's decision in *Riverboat Development, Inc. v. Indiana Department of State Revenue* (Cause No. 49T10-0506-TA-52), February 22, 2008, income received by a non-Indiana pass through entity from its interest in an Indiana pass through entity is, under current statute, not taxable income for purposes of the Individual Adjusted Gross Income (AGI) Tax. As a result, the non-Indiana pass through entity is not required to withhold AGI Tax on distributions to its shareholders. Under the bill, the income received by the intermediary pass through entity would be treated as business income from sources in Indiana, and the pass through entity would be required to withhold AGI Tax on distributions it makes to its shareholders. The tax court case voided a \$2.3 M assessment the DOR made against Riverboat Development, Inc.; however, the assessment had never been paid. This provision could potentially mitigate significant future losses of revenue from taxpayers currently conducting these activities.

*Income Tax Deduction for Roof Vents or Fans:* This bill provides an AGI tax deduction to individual taxpayers for the purchase and installation of solar-powered roof vents or fans beginning in tax year 2009. The tax deduction will decrease revenue to the General Fund by an indeterminable amount beginning in FY 2010 and is equal to the lesser of one-half of the amount paid for labor and materials for the installation of a solar-powered roof vent or fan or \$1,000. If 5,000 individuals claim deductions, then revenue could potentially decrease by \$127,500 to \$170,000. If 10,000 individuals claim deductions, then revenue could potentially decrease by \$255,000 to \$340,000.

*529 Contribution Credit:* The bill imposes two additional limits on claiming the tax credit for contributions to College Choice 529 Education Savings Plan accounts described below in (1) and (2).

(1) The bill specifies that contributions resulting from bonus points or other forms of consideration earned by the account owner (i.e., a bonus points program for credit card purchases) do not qualify for the tax credit. The extent to which this limit would lower the revenue loss or mitigate future revenue loss from the tax credit is unknown.

(2) The bill specifies that money transferred (under a rollover) from another 529 qualified tuition program to the account does not qualify for the tax credit. This limit may mitigate some future revenue loss, but it is assumed that most of the rollover activity resulting in tax credits has probably already been completed.

*Withholding on Slot Machine Winnings:* The bill includes the slot machine facilities at the horse racetracks under current statute requiring riverboat casinos to withhold and remit income tax on gambling winnings of (1) \$1,200 or more from a slot machine play or (2) \$1,500 or more from a keno game. It is estimated that the current withholding requirement applicable to the riverboat casinos results in an additional \$21.8 M in AGI

Tax revenue from out-of-state gamblers who otherwise would not pay the tax on winnings. This provision could potentially generate additional withholdings to the extent that out-of-state gamblers who otherwise do not patronize riverboat casinos are patronizing the slot machine facilities. However, since these facilities are at interior locations, they may have a much smaller out-of-state market than the riverboat casinos which are in border areas. The potential additional revenue yield from the withholding requirement is indeterminable.

*Research Expense Tax Credit:* This bill provides that a taxpayer may elect an alternative method to calculate the Research Expense Tax Credit for Indiana qualified research expenses incurred after December 31, 2009. The alternative calculation of the credit is equal to 10% of the difference between: (1) the taxpayer's current year Indiana qualified research expenses; and (2) 50% of the taxpayer's average Indiana qualified research expenses for the three preceding taxable years. If the taxpayer did not have Indiana qualified research expenses in any one of the three preceding taxable years, then the amount of the credit is equal to 5% of the taxpayer's Indiana qualified research expenses for the taxable year. The alternative calculation method is similar to an alternative calculation method allowed for the federal income tax credit for increasing research activities. Current statute allows this alternative calculation method for certain taxpayers primarily engaged in the production of civil and military jet propulsion systems who are certified by the IEDC as an aerospace advanced manufacturer and meet other criteria.

It is not known how many taxpayers would select the alternative calculation method, but according to the IEDC, no taxpayers have been authorized by the IEDC to use the alternative calculation method for qualified aerospace manufacturers under the Research Expense Tax Credit.

*Hoosier Business Investment Tax Credit:* The bill changes the sunset date for the Hoosier Business Investment (HBI) Tax Credit to December 31, 2015. Under current statute, the HBI Tax Credit expires on December 31, 2011. This would allow the IEDC to award new tax credits for qualified investment occurring in 2012 until 2016. The potential amount of new credits that might be certified by the IEDC beginning in 2012 is indeterminable. For FY 2008, there were 18 companies eligible to claim about \$2.7 M in HBI credits.

*Coal Gasification Technology Investment Tax Credit:* The bill provides that the tax credit is refundable for a taxpayer that makes qualified investment in an integrated coal gasification power plant and enters into a contract to sell substitute natural gas (SNG) from that power plant to the Indiana Finance Authority under SEA 423-2009. The bill would allow the tax credit to be refundable in equal amounts over 20 years. This change could better enable a taxpayer that pays a net income tax like the individual or corporate AGI taxes instead of a gross receipts tax like the utility receipts tax to exhaust the tax credit.

SEA 423-2009 is related to a proposed coal gasification project to produce SNG at Rockport, with investment reportedly totaling \$2 billion. The company developing the plant is an LLC. Under current statute, the members of the LLC could only claim the tax credit against their individual AGI Tax liabilities. Under the bill, the members of the LLC would be able to claim refunds if their tax liabilities were insufficient to exhaust the tax credit. Assuming the investment all qualifies for the tax credit, the tax credit would total \$125 M. The maximum amount that could be refunded each year would be \$6.25 M over 20 years provided the plant uses 100% Indiana coal each year. The credit would be reduced proportionately if the plant uses less than 100% Indiana coal

Under current statute the tax credit is nonrefundable and may be claimed only against a taxpayer's income tax, financial institutions tax, insurance premiums tax, or utility receipts tax liability (URT). The tax credit is 10% on the first \$500 M in qualified investment and 5% on qualified investment exceeding \$500 M. The tax credit may be claimed over 10 years. The maximum amount that may be claimed each year is the lesser

of: (1) 10% of the total credit OR (2) the lesser of 25% of the taxpayer's URT or all of their tax liability for the year.

*Alternative Fuel Vehicle Manufacturer Tax Credit:* The bill extends qualification for the tax credit to a manufacturer of a vehicle that operates on biodiesel or ultra-low sulfur diesel fuel. The bill also limits the tax credit to manufacture of passenger cars or light trucks with a gross weight of 8,500 lbs or less. Under current statute, the tax credit must be determined by the IEDC, with a maximum allowable tax credit of 15% of the qualified investment. Current statute allows the IEDC to award the tax credit for investment made between 2007 and 2012. The excess credit amounts may be carried for up to nine years. The impact of the changes is indeterminable and would depend on IEDC action.

*Inheritance Tax:* The bill makes the following changes relating to the Inheritance Tax. Both changes are expected to result in minimal revenue increases.

(1) The bill changes the time frame for the termination of the Inheritance Tax lien on property transferred by a decedent. The lien terminates by current statute either the earlier of when the tax is paid or 5 years after the decedent's date of death. The bill extends this time frame to 10 years after the decedent's date of death.

(2) The bill changes the deadline for refunding tax erroneously or illegally collected before interest accrues at 6% per annum. Currently, the refund must be provided within 90 days after the refund claim is filed with the DOR. The bill would change the deadline to 90 days after the later of the filing of the refund claim or receipt of the tax return by the DOR. Reportedly, the DOR tends not to even receive the tax returns from the counties within 90 days of the refund filing.

*Erroneous Refunds:* The bill allows the DOR to issue an assessment to recover refunds that are erroneously provided. The bill provides that an assessment must be issued within two years after making the refund or within five years after making the refund if the refund was induced by fraud or misrepresentation. This provision could potentially lead to an indeterminable savings due to recovery of erroneous refunds.

*Penalty Provision:* The bill creates a new Class A misdemeanor, interference with an investigation of an Office of the Department of Child Services Ombudsman, or under certain conditions, for disclosure of information about a case before the conclusion of an investigation. If additional court cases occur and fines are collected, revenue to both the Common School Fund (from fines) and the state General Fund (from court fees) would increase. The maximum fine for a Class A misdemeanor is \$5,000. However, any change in revenue would likely be small.

*Cigarette and Tobacco Tax Revenue:* This bill changes the distribution of cigarette and tobacco tax revenue and provides that 6.56% of the total revenue that would have been deposited in the state General Fund for the purpose of a health initiative and for reimbursing the state General Fund for the employer health plan tax credit provided under IC 6-3.1-31 is to now be distributed to the trust fund. The estimated distribution of tax revenue is approximately \$32.5 M in FY 2010 and \$31.6M in FY 2011; however, cigarette and tobacco products tax revenue may decline from these levels in future years due to recent increases in federal cigarette taxes.

*Prepayment of Sales Tax on Gasoline:* The bill will not impact the total amount of Sales Tax generated by the sale of gasoline. It could, however, result in a slight shift of Sales Tax revenue to future months. By statute, retailers are required to prepay the Sales Tax on gasoline. The bill provides that the prepayment rate is equal to the statewide average price per gallon, multiplied by the Sales Tax rate, multiplied by 80%. Under

current statute, the prepayment rate is equal to the statewide average price per gallon, multiplied by the Sales Tax rate, multiplied by 90%.

*Sales Tax Exemptions:* This bill provides sales tax exemptions for the following::

- property that is part of a national, regional, or local headend or similar facility operated by a person furnishing video services, cable radio services, satellite television or radio services, or Internet access services
- equipment and devices used to monitor blood glucose level.
- aircraft under certain conditions.

The estimated impact of these provisions is indeterminable but could be significant.

*Aircraft Sales Tax Exemption:* This bill provides that an aircraft is exempt from Sales Tax if the gross lease revenue derived from leasing or rental of the aircraft is equal to or greater than the book value of the aircraft; or 7.5% of the greater of the book value of the aircraft or the net acquisition price of the aircraft

Under current statute, an aircraft is exempt from Sales Tax if the amount of lease revenue is equal to or greater than 10% of the original cost or the book value of the aircraft; or 7.5% of the original cost or book value of the aircraft if the value of the aircraft is at least \$1,000,000.

The bill also provides that the DOR may not assess sales tax if a person does not meet the revenue threshold because of certain conditions outlined in the bill. These provisions could have an indeterminable impact on Sales Tax revenue.

The bill provides that a person who acquires an aircraft with the intent to rent or lease the aircraft to another person for predominant use in public transportation by the other person or by an affiliate of the other person is exempt from the sales tax. Under current statute, a transaction in which a person acquires an aircraft for rental or leasing in the ordinary course of the person's business is not exempt from sales tax unless the person establishes under guidelines adopted by the DOR that the annual amount of the gross lease revenue derived from leasing or rental of the aircraft is equal to or greater than:

- (1) 10% of the greater of the original cost or the book value of the aircraft, if the original cost of the aircraft was less than \$1,000,000;
- (2) 7.5% of the greater of the original cost or the book value of the aircraft, if the original cost of the aircraft was at least \$1,000,000.

If the DOR determines that the gross lease revenue derived from leasing or rental of the aircraft in the previous year will not meet the revenue threshold, the person is required to pay the Sales Tax in the current year.

*Special Volume Cap Provisions:* The bill provides that any special volume cap regarding bonds issued under a federal act providing the cap is in addition to the volume cap under Section 146 of the Internal Revenue Code. The Indiana Finance Authority is currently responsible for allocating the private activity bond caps and will be responsible for determining any allocation of special volume caps.

*Sales Disclosure:* Under the bill, public utility and governmental easement transfers would be added to the list of property transfers that do not have to be reported on a sales disclosure form. Revenue from sales disclosure filings would be reduced by the amount currently received from this type of transfer. The number of these transfers is not currently available.

*Medicaid Health Facility Quality Assessment Fee:* The bill extends the authorization for the collection of



the QAF and the related increased expenditures from August 2009 to August 2011. It authorizes the continued estimated annual collection of about \$100 M for each of FY 2010 and FY 2011 if nursing facility days remain constant. The total annual state share of the collections from the extension of the fee would be \$20.2 M in FY 2010 and \$20.0 M in FY 2011.

*ISSCH Provisions:* The ISSCH may see increases in revenue to the extent (1) the Superintendent of the ISSCH enters into agreements with other state agencies, entities, and school corporations for the use of the services or facilities located at the ISSCH, (2) the Superintendent of the ISSCH receives donated money or gifts for the operation of the ISSCH, and (3) maintenance costs are collected for the ISSCH. Currently, an agreement has been made with the Indiana National Guard to allow the Hoosier Youth Challenge Academy to operate on the ISSCH facilities beginning in 2010. The Academy receives approximately \$1.2 M from the state and \$1.8 M from the federal government annually.

*Enterprise Zones:* This bill permits the fiscal body of a municipality in which an enterprise zone is located to request that its current term be renewed for an additional five years. Enterprise zones are eligible for certain tax incentives that reduce revenue to the General Fund. If the term is renewed the revenue to the state would continue to be reduced during this period.

*Issues Relating to the DOI.* The bill increases the fee from \$50 to \$100 for an annual license for a third-party insurance administrator. This increase will generate around \$14,000 annually. The bill also increases the rate that applies to independently procured insurance by about 1.2%. This provision will result in a minimal increase in revenue. License fee revenue is deposited in the Department of Insurance Fund, which is used to finance the operations of the DOI.

*Earlham College Trust License Plate:* The bill establishes a \$25 fee for the new license plate. Revenue from the newly created plate is not known. In CY 2008, sales of special recognition license plates ranged from 74 plates for the Pearl Harbor plate to 53,267 for the Heritage Trust plate. Plate sales for the new plate are likely to fall within this range and could result in annual revenue to the Earlham College Trust Fund ranging from \$1,850 to \$1.33 M.

In addition, there is a \$15 Special Recognition fee. Revenue from the Special Recognition fee for the Pearl Harbor plate totaled \$1,110, while revenue from the same fee for the Heritage Trust plate amounted to \$799,005. The following tables show the distribution of the Special Recognition fee based on the CY 2008 sales of the Pearl Harbor plate and the Heritage Trust plate and the uses of the distributed funds.

| <b>Minimum and Maximum Distribution of Estimated Special Recognition Fee Revenue.</b>   |                   |                        |                   |                     |
|---|-------------------|------------------------|-------------------|---------------------|
| <b>Plate Type</b>   | <b>MVHA (\$5)</b> | <b>Xrds 2000 (\$1)</b> | <b>BMVC (\$9)</b> | <b>Total (\$15)</b> |
| Earlham College (if 74 plates sold)*  | \$370             | \$74                   | \$666             | \$1,110             |
| Earlham College (if 53,267 plates sold)*  | \$266,335         | \$53,267               | \$479,403         | \$799,005           |
| * Estimates based on CY 2008 sales of Pearl Harbor plates and Heritage Trust plate.<br><br>MVHA - Motor Vehicle Highway Account<br>Xrds 2000 - Crossroads 2000<br>BMVC - Bureau of Motor Vehicle Commission |                   |                        |                   |                     |

| Fund                        | Uses  |
|-----------------------------|---|
| <b>MVHA</b>                 | Construction, reconstruction, and maintenance, along with supporting the BMV, the State Police, the Dept. of Transportation, and the State Department of Revenue. |
| <b>Crossroads 2000 Fund</b> | Bonding for highway projects.   |
| <b>BMV Commission</b>       | Supports the operation of the license branches throughout the state.  |

*Anderson Airport Development Zone:* This bill provides that the Anderson airport area may be designated as an airport development zone by the Anderson Airport Board, effective July 1, 2009. If designated as an airport development zone, several tax incentives would be available for the Anderson airport area that are available to enterprise zones, including the Employment Tax Deduction, the Employment Expense Credit, the Loan Interest Credit, the Neighborhood Assistance Credit, and the Investment Cost Credit. These incentives may be taken against Adjusted Gross Income (AGI), Financial Institutions, or the Insurance Premiums Tax liabilities, which would serve to reduce revenue to the General Fund by an indeterminable amount. Current statute, IC 8-22-3.5-1, authorizes the following areas to establish airport development zones: Marion County; City of Gary; Vigo County; Allen County; Vanderburgh County; and Delaware County.

**Explanation of Local Expenditures:** *Education Provisions- Charter Schools:* The bill would require the approval of the school corporation where the charter school would be located if more than 10% of the school buildings used for instruction in the school corporation geographic boundary are charter schools. A charter school counts as one building for the determination of the percentage. The impact is unknown and would depend on the number of charter schools that might be established. Gary Community Schools and Indianapolis Public Schools have the greatest number of charter schools in their respective districts. The bill also requires charter schools to meet the state-required minimum instructional days and hours requirement. The impact is probably minor.

*Special Purpose Bus Drivers:* The bill would remove the requirement that a special purpose bus driver has to have a physical examination certificate. The driver would still have to have a valid operator's, chauffeur's, public passenger chauffeur's, or commercial driver's license. The provision should have no fiscal impact. The current physical is paid by the driver.

*School Fiscal Year Budgeting:* The bill deletes the requirement that schools start budgeting on a fiscal year cycle from June 30, 2010, to June 30, 2011. The provision could result in a minor reduction in school administrative expenses.

*Gaming Revenue for School Projects:* The bill allows a city where a riverboat casino or racetrack slot machine facility operates to use any revenues, including gaming revenues, to pay for the construction or renovation of school building or to finance the construction or renovation of a school building.

*STIF Districts:* The bill does the following:

- (1) Extends the current STIF law to include a STIF district in Warrick County.
- (2) Increases the term of bonds and leases backed by STIF funds from 20 to 25 years. In addition, to the Warrick County STIF, this change would apply to STIFs authorized under current statute. STIFs are authorized under current statute for Hammond, South Bend, Fort Wayne, and Evansville; however, no STIF

districts have been established.

The Warrick County STIF must be located completely or in part on reclaimed coal land near the Blue Grass Fish and Wildlife Area and I-164. The proposed district must be at least 100 yards from the boundaries of the Fish and Wildlife Area. The project is being pursued by the Hoosier Heritage Youth Foundation and calls for the development of the Village Earth Interpretative Center at the site. The proposal calls for the construction of a multi-faceted tourist attraction anchored by the interpretative center, including plans for lodging, dining, and retail facilities, an aquarium, and other attractions. All Sales Tax revenue diverted to the Warrick County STIF district is required to be deposited in district's STIF fund to be used for the following project costs:

- (a) The total cost of acquisition of all land, rights-of-way, and other property to be acquired, developed, or redeveloped for the project.
- (b) Site preparation, including utilities and infrastructure.
- (c) Costs associated with the construction or establishment of a museum and education complex and a multi-sport athletic complex that are owned or leased by tax-exempt not-for-profit entities.
- (d) Road, interchange, and right-of-way improvements.
- (e) Public parking facilities.
- (f) All reasonable and necessary architectural, engineering, legal, financing, accounting, advertising, bond discount, and supervisory expenses related to the acquisition and development or redevelopment of the property or the issuance of bonds.
- (g) Debt service, lease payments, capitalized interest, or debt service reserve for the bonds to the extent the commission determines that a reserve is reasonably required.

*Township Fire Protection:* The bill allows townships to provide fire protection or emergency services within a municipality that lies at least in part in the township and does not have a full-time paid fire department without contracts if both legislative bodies approve. (Current law requires a municipality to lie entirely within the township to permit the arrangement.)

*Fire Department Fees:* This bill provides that any administrative fees charged by a fire department's agent must be paid only from fees that are collected and allowed by Indiana law and the Fire Marshal's schedule of fees. The bill specifies that an agent who processes fees on behalf of a fire department shall send all bills, notices, and other related materials to both the fire department and the person being billed for services.

#### Property Tax, Budget, and Miscellaneous Tax Provisions-

*Reassessment Delay:* Under current law, real property undergoes a general reassessment every five years. The next general reassessment takes effect with taxes payable in 2012. Annual adjustments to real property values are applied each year in which a general reassessment does not take effect. This bill would delay the Pay 2012 reassessment by one year so that it would instead first affect March 1, 2012, assessments for taxes payable in 2013. Counties would defer the expense of conducting a general reassessment for one year.

*Bond Issues:* Under current law, most obligations issued after June 30, 2008, must be repaid within 20 years. The bill clarifies that the 20-year limit begins after the obligation is issued. Under the bill, bonds issued for a hospital for the Marion County Health and Hospital Corporation would not be not subject to the 20-year maximum term.

For obligations issued after June 30, 2009, that are payable through a lease rental, the bill would require repayment within 20 years after the first lease payment is made. Lease payments do not begin until the taxing unit takes possession of the project, which is typically one or two years after the project is started and the obligation is actually issued.

*Trending Catch-Up:* This provision would likely allow those counties that currently struggle to complete annual adjustments to catch up and complete their assessment work on time. Timely assessments would encourage on-time property tax billings and could reduce the need for short-term borrowing.

*Exemption Filing:* Under current law, nonprofit corporations must refile their property tax exemptions every two years. A property tax exemption does not need to be refiled if:

- (1) The property is used for religious purposes or if it is owned by a religious organization and used for educational purposes; and
- (2) The exemption was properly filed at least once.

In addition to property owned by religious organizations, this bill would eliminate the refiling requirements for property owned, occupied, and used for educational, literary, scientific, and charitable purposes. Also under this bill, exemptions would not be terminated after a change in ownership if the property continues to qualify for an exemption. There are approximately 24,000 non-religious exemptions currently on file with county auditors. The elimination of periodic filing would reduce the administrative burden on each county auditor's office in the state. It would also eliminate situations where organizations temporarily lose their exemption because they fail to make a timely filing.

*Referenda:* This bill defines "registered voter" for purposes of the statute specifying who is eligible to sign a petition requesting a referendum for a controlled project. Under this bill, "registered voter" would be defined as an individual who is registered to vote in the political subdivision on the date the county voter registration board makes the determination regarding whether persons who signed the petition are registered voters.

Under the bill, a taxing unit would be permitted to withdraw a project from the referendum process. If a project is withdrawn, it or a substantially similar project could not be resubmitted for one year.

*Utility Assessments:* Under current law, utility-owned personal property that is not a part of production, transmission, or distribution systems comprises about 0.2% of total utility personal property AV. For reporting purposes, the value is subtracted from total utility value on the state utility assessment form (UD-45) and then reported to the local assessor (Form-1). Under this provision, the property would not be reported separately on Form-1. Instead the property AV would be the reported on the UD-45 and distributed by taxing district along with the rest of the utility distributable property. This could cause a very slight change in share of the total utility AV that is attributed to each taxing district, although the total for each utility would remain unchanged.

*Assessment Appeals:* Under current law, the DLGF is responsible for assessing industrial facilities (real property only) with an estimated true tax value of at least \$25 M in Lake County. A taxpayer or the county assessor may appeal the assessment to the IBTR. Under this bill, a taxpayer still has the option of appealing the assessment. The county assessor, however, may not spend public money to appeal the assessment unless the county fiscal body adopts a resolution approving the proposed expenditure and also appropriates the total amount of the proposed expenditure. The fiscal impact of this bill would depend on whether the county fiscal body would appropriate funds for the appeals.

*PTABOA:* Under current law, the county PTABOA has five voting members. Two members are appointed by the county fiscal body and two are appointed by the county commissioners. The county assessor is the fifth member. If the county assessor is a Level 2 or Level 3 assessor-appraiser, then the commissioners may waive the requirement that at least one of their appointees be a Level 2 or Level 3 assessor-appraiser.

Under this bill, the county commissioners could elect to have a three-member PTABOA rather than a five-member board. In a three-member PTABOA, one member would be appointed by the county fiscal body and two would be appointed by the county commissioners. The county assessor would be a nonvoting member. The council's appointee and at least one of the commissioners' appointees must be a Level 2 or Level 3 assessor-appraiser. The reduction of the number of board members could reduce county costs for PTABOA salaries.

Additionally, the bill would remove the commissioner's ability to waive the certified assessor-appraiser requirement for a five-member board.

*Local Option Income Tax:* Under this provision, a county income tax council would have to hold at least one public meeting in each odd-numbered year to discuss whether the County Option Income Tax (COIT) rate should be adjusted. Currently, there is no requirement to meet.

*Public Work Project Financing:* Currently, a civil taxing unit or school corporation may borrow money from a financial institution for a term of up to six years to fund a public work project that costs no more than \$2M. This bill would allow the term to be as long as ten years. If a loan is taken for more than six years, overall interest payments would increase, but each annual payment would be reduced.

*Solid Waste Management Districts:* Solid waste management districts must hold public hearings to discuss the introduction of a property tax levy. Districts also have to hold public hearings whenever the membership of the district changes and a new or amended solid waste management plan has to be submitted to IDEM. In the event that a district is dissolved and the county becomes a new county district either by default or choice, the district also has to hold a public hearing before adopting a new budget. The district may incur additional expenses in preparing for and in conducting these public hearings if they are in addition to regular scheduled meetings.

In the second and subsequent years that a solid waste management district plans to levy a property tax, the county fiscal body has to review or approve the district's budget and property tax levy as applicable. Similarly, each fiscal body within a district has to approve the use of property taxes whenever the membership of the district changes and the new county district, new joint district, or existing joint district plans to levy a property tax in the following year (see *Explanation of Local Revenues*). The county fiscal bodies may have to expend additional resources in meeting this requirement.

*Child Welfare Surpluses:* Under HEA 1001-2008, surplus balances in a county's family and children's fund and children's psychiatric residential treatment services fund must be deposited into the county levy excess fund. Money in the levy excess fund may only be used to pay property tax refunds and to reduce the following year's levy. DCS has estimated surpluses in one or both funds in 86 counties totaling \$103.3 M, which will be used to reduce 2010 county general fund levies.

Rather than reducing levies in 2010, this bill would allow any county to transfer the surplus into the county's rainy day fund.

The bill would also permits St. Joseph County to transfer \$1 M into the county rainy day fund and distribute two-thirds of the remainder to the civil taxing units (not schools) in the county. The estimated surplus in St. Joseph County is \$11 M. Under the bill, the county could elect to distribute \$7.5 M to the civil taxing units, leaving about \$2.5 M to reduce the 2010 county levy.

*Pension Balances:* Under HEA 1001-2008, the state funds 100% of the cost for the pre-1977 public safety pensions beginning in CY 2009. Under this bill, civil taxing units would be permitted to spend any unused balances that they have accrued in those funds to pay the costs of local administration of the funds and for health benefits for members of the funds and their beneficiaries.

*Wabash County Annexation:* Municipal legislative bodies in Wabash County would be allowed to annex noncontiguous territory where the entire area is not more than two miles from municipality boundaries. The annexed territory would have to be used for an industrial park containing one or more businesses. The territory must be owned by either the municipality or by an annexation-consenting property owner. If the annexed area(s) do not have an established industrial park within five years after the annexation, the territory would revert to its previous jurisdiction, if existing, or the defunct jurisdiction's successor. Generally, when an annexation is approved, services are extended to the annexed area. The annexing municipality would increase expenditures to provide those services, which may include police, fire, trash pick-up, and sewer/water services.

*ISSCH Provisions:* The bill may increase local expenditures to the extent local political subdivisions refer children to the ISSCH and are subject to pay for the child's maintenance costs. Additionally, local political subdivisions or school corporations may offer payment for use of the services or facilities offered by the ISSCH.

*Legal Representation:* Under current law, a township or county assessor, county auditor, county property tax assessment board of appeals (PTABOA), or member of the PTABOA may hire an attorney, rather than use the Attorney General, to defend an original assessment determination only with the written approval of the Attorney General. The private attorney is paid by the township, county, or defendant. Under this provision, the local official would not need the Attorney General's permission to hire a private attorney beginning with appeals for the March 1, 2005, assessment date. This provision could increase local legal costs if more private attorneys are hired to defend assessments.

**Explanation of Local Revenues:** *Income Tax Deductions:* Because the deduction for the installation of solar-powered roof vents or fans would serve to decrease taxable income, counties imposing local option income taxes could potentially experience a decrease in revenue from these taxes.

Counties with local option income taxes also may experience a revenue shift from one fiscal year to another in the event property tax bills are delayed and Pay 2008 and 2009 property taxes are deducted in 2009.

*Local Project Funding:* The bill appropriates \$700 M from designated federal funds, ARRA, and the state NGTF for distribution among counties, and cities and towns to be used exclusively for engineering, land acquisition, construction, resurfacing, restoration, and rehabilitation of highway facilities. Any part of a distribution made from designated federal funds may be used only as permitted by the federal laws and regulations. The funds are appropriated to the State Budget Agency, which distributes the funds in the same way that funds are distributed from the Local Road and Street Account, and the funds do not revert to the state General Fund or to another fund, but must be expended by counties, cities, and towns by July 1, 2011.

*Effect on Circuit Breakers:* Any provision that affects local property tax levies, assessments, deductions, or credits may have an effect on the local cost of circuit breaker credits. If, on the whole, the changes result in higher net tax amounts, then the cost of the circuit breaker credits will rise. If net tax is reduced, then the cost of the circuit breaker credits will also fall.

#### *Property Tax, Budget, and Miscellaneous Tax Provisions-*

*Reassessment Delay:* Assuming that all property is currently assessed in accordance with the current assessment and trending rules, a general reassessment under similar rules should produce changes in assessments that are equivalent to one year's trended changes. However, physical changes to properties that were not otherwise recorded are revealed during a general reassessment. For the most part, a one-year delay in the general reassessment should not result in significant changes to assessments or tax burdens.

*Bond Issues:* Under current law, a civil taxing unit or school corporation with a non-elected governing body may not issue debt payable from property tax without the approval of the county fiscal body or municipal fiscal body. Beginning in 2009 under this bill, non-elected school board debt issues would not be subject to this review.

*Golf Course Assessments:* Under this provision, golf courses would be assessed under the income capitalization approach. The bill requires local assessors to gather the necessary data from the golf course owner to compute assessments for the March 1, 2010, and 2011, assessment dates. The DLGF would be required to provide income capitalization tables for golf courses for assessments after 2011.

While income capitalization may currently be considered in determining golf course assessments, it is not in use in many areas. The assessments determined under this method are more than likely lower than the current assessments. The required use of income capitalization would result in a reduction of assessed value for most golf courses. This would shift a part of the property tax burden from golf courses to all other taxpayers through a higher tax rate. The resulting higher tax rate could increase the local cost of circuit breaker credits in areas where the circuit breaker has been triggered.

*Mobile Homes - Inventory:* Under this provision, a mobile home would be treated as inventory if the home is (1) assessed as personal property, (2) located in a mobile home community, and (3) is unoccupied. The treatment as inventory would apply whether the mobile home is new or used. Under current law, inventory is exempt from property taxation so this provision would provide an exemption for these homes.

*Mobile Homes - Waiver:* Under this bill, the title holder of an abandoned mobile home may petition the county assessor for a waiver of property taxes if (1) the mobile home is not suitable as a residence, (2) the mobile home has little or no value as a residence, (3) the tax liability exceeds the resale value, and (4) the mobile home has been abandoned in a mobile home community. If the assessor grants the waiver, the title holder must dismantle or destroy the home.

Assessments on personal property mobile homes are not considered part of the certified value that is used to compute tax rates. This has to do with the fact that the assessment date for these homes is January 15th with taxes paid in May and November of the same year. Tax rates must be certified by February 15th, leaving little or no time to make the assessments and include them in the AV base.

The property tax revenue generated by mobile homes may be used to offset shortages in levy collections.

While the tax rate would not be directly affected by an assessment reduction for mobile homes, the revenue received by the local units would be reduced. One exception to this explanation is the case where a unit collects more than 100% of its tax levy. In this case, the overage is used to reduce the following year's levy and tax rate through the unit's levy excess fund. So, it is possible, indirectly, for a reduction in mobile home-generated tax collections in one year to affect the following year's tax rate. There are approximately 90,000 to 100,000 mobile homes in the state.

*Fire Protection Territories:* Under current law, the legislative bodies of at least two contiguous taxing units may establish a fire protection territory (FPT). All units involved in the FPT are participating units, one of which is the provider unit. During the first three years of the territory's existence, the participating units each impose a property tax levy to support the FPT. After three years, the provider unit imposes a levy and tax rate upon all of the property in the FPT and the other participating units' levies for fire protection are eliminated.

Prior to the passage of HEA 1001-2008, a participating unit's maximum levy could be increased in those first three years in order to generate the unit's share of the amount necessary to fund the FPT. Under HEA 1001-2008, the levy for a FPT cannot increase by more than the income-based assessed value growth quotient (AVGQ), about 4% per year.

Under this bill, new participating units would submit their first-year proposed budget, levy, and tax rate for the FPT to the DLGF. The initial levy set by the DLGF would be the basis for future levy growth under the levy growth multiplier limits, except that the DLGF could reduce the base by all or a part of the initial levy that was used to establish an operating balance. Compared to the levy limits under current law, this provision could increase the property tax levy for future FPTs. A levy increase could increase the local cost of circuit breaker credits in areas where the circuit breaker has been triggered.

*Fire Protection Territories - Revenue Distribution:* Proceeds from CAGIT, COIT, and CEDIT are currently distributed to qualifying taxing units in the county based on each taxing unit's portion of the total qualified county levy. The excise taxes (motor vehicle, commercial vehicle, aircraft, and boat excise taxes) paid by residents or businesses located in each taxing district are distributed to each of the taxing units that serve that taxing district, based on each taxing unit's portion of the total district levy.

Beginning in 2010 under this proposal, the income and excise tax distributions would assume that the levies imposed within a participating taxing unit for an FPT are a part of the participating unit's basis for revenue allocation. Income tax and excise tax revenues for provider units would be reduced, while the revenues for the remainder of the participating units would increase. According to available data, there are currently 20 fire protection territories in the state. County auditors reported that FPTs received \$2.7 M in excise taxes in 2007, \$241,000 in CAGIT PTRC in 2008, and \$8.4 M in certified shares for CAGIT, COIT, and CEDIT in 2008.

Under this bill, revenue losses for provider units are estimated at \$130,000 in excise tax, \$31,000 in CAGIT PTRC, and \$550,000 in certified shares. The other participating units would have revenue increases in the same amounts. A change in CAGIT PTRC shifts property tax relief dollars between taxing units with no change in the units' total available revenue. A change in excise tax or certified shares is a change in spendable dollars.

*MRDD Levies:* Under HEA 1001-2008, the property taxes levied by a county for a CMHC or an MRDD center are exempt from the county's maximum levy limit if the center was funded in 2008. Future county



levies are subject to the county's maximum levy limit in counties that did not fund a center in 2008. In addition, levy growth for existing centers is limited to the AVGQ.

Prior to the passage of HEA 1001-2008, these levies were not subject to the county's maximum levy limit. Appropriation and levy growth for a CMHC was already limited to the AVGQ. The appropriation and levy for an MRDD center was (and still is) limited to the amount generated by a tax rate of \$0.0333 per \$100 AV, as adjusted for valuation adjustments since 2003.

Currently, every county funds a CMHC, and 79 counties fund an MRDD center. Total levies for 2008 (or 2007 in a few counties) were \$32.4 M for CMHCs and \$10.8 M for MRDD centers.

Under this bill, all allowable levies to support a center would be exempt from the county's maximum levy limit. The appropriation and levy growth for CMHCs would continue to be limited to the levy growth factor. Counties that have not funded an MRDD center could appropriate and levy an amount in the first year up to the amount that would be generated by a tax rate of \$0.0333 per \$100 AV, as adjusted for valuation adjustments.

The maximum amount that could be levied for an MRDD center in the 13 counties that haven't funded one is about \$5.5 M. These counties include Daviess, Hancock, Hendricks, Henry, Howard, Jefferson, LaPorte, Martin, Parke, Posey, Putnam, Shelby, and Sullivan. A potential levy increase in the 13 counties without an MRDD center could increase the local cost of circuit breaker credits in areas where the circuit breaker has been triggered. The fiscal impact depends on local action.

*Review of Non-Elected Board Budget:* Under current law, a civil taxing unit with a non-elected governing body must submit its proposed budget and property tax levy for approval by the county fiscal body or municipal fiscal body if the percentage increase in the proposed budget is greater than the AVGQ. The taxing unit must submit the proposal at least 14 days before the reviewing body holds budget approval hearings.

Under this bill, the taxing unit would be required to submit their proposal to the county or municipality at least 30 days before the reviewing body's hearing. All conservancy, solid waste management district, and fire protection district budgets would be subject to review, regardless of the percentage change in the budget. The bill also specifies that the budget and levy for a civil taxing unit with a non-elected governing body that lies completely within one of the four excluded cities in Marion County (Beech Grove, Lawrence, Southport, and Speedway) would be reviewed by the excluded city.

If a taxing unit fails to timely file the budget, levy, and tax rate estimates with the county or municipal fiscal body, then the taxing unit's prior year budget and levy would be continued for the current year under the bill. Likewise, if the reviewing fiscal body fails to make its recommendation before the deadline for budget adoptions, then the reviewing unit's prior year budget and levy would be continued for the current year.

*Local Budgets - County Review:* Under current law, civil taxing units in a county without a TAB must submit their estimated budget, levy, and tax rate to the county fiscal body for review at least 15 days before the unit adopts the budget. The county fiscal body must perform a review and must issue a nonbinding recommendation regarding the proposal.

Under this bill, the taxing units would be required to submit their proposal to the county fiscal body at least 45 days before the unit adopts the budget. The county fiscal body would be required to issue the nonbinding recommendation at least 15 days before the unit adopts the budget.

If a taxing unit fails to timely file the budget, levy, and tax rate estimates with the county, then the taxing unit's prior year budget and levy would be continued for the current year under the bill. Likewise, if the county fiscal body fails to make its recommendation on a timely basis to any civil taxing unit, then the county unit's prior year budget and levy would be continued for the current year.

*Marion County TIF:* Prior to the passage of HEA 1001-2008, the City of Indianapolis could capture the property taxes paid on personal property within a TIF area and allocate those revenues to pay for PTRC-like credits that were granted to real property owners in the TIF area. HEA 1001-2008 repealed PTRC, the PTRC-like credits, and the ability to capture the personal property payments.

Under this provision, the Marion County Metropolitan Development Commission may fund a part of the tax increment replacement amount by once again capturing the taxes paid on personal property in the TIF area.

*Tax Bills - Provisional:* Under current law, a county may elect to send out provisional tax statements to its taxpayers if the county abstract is not completed by March 15th of the tax payment year. The abstract is prepared when tax rates are certified and tax bills are figured. Provisional bills are based on 90% of the previous year's taxes. The first installment is due on May 10<sup>th</sup> unless the notice of reassessment or trended assessment is sent after March 26<sup>th</sup>, in which case the payment is due 45 days after the tax billing statement is mailed. The second installment is due on November 10<sup>th</sup> unless the May due date was delayed, in which case the November due date may be moved to any date through December 31<sup>st</sup>.

Under this proposal, the provisional bills could be based on up to 100% of the previous year's taxes and would include adjustments as prescribed by the DLGF.

In addition, under the bill, the county treasurer may elect to use provisional bills in parts of the county that are served by cross-county units for which there is no tax rate certified due to issues in the neighboring county.

*Maximum Levy Adjustment:* Prior to the passage of HEA 1001-2008, the state made distributions to local taxing units to pay a part of the cost of benefits under the pre-1977 public safety pension plans. Beginning in 2009 under HEA 1001-2008, the state has assumed the remainder of the cost of those benefits. HEA 1001-2008 also required a reduction in maximum levies by the amount of the state payments. The DLGF has administered this section by reducing the taxing units' maximum levies by the *additional* amount of state payments made under HEA 1001-2008 rather than by the entire amount of the new plus existing state payments. This bill would legalize the actions taken by the DLGF.

*Distribution of Delinquent Tax Payments:* Under current law, collections of delinquent property taxes are distributed along with current year property tax collections to the taxing units based on each taxing unit's current pro-rata portion of the total district tax rate. Beginning in 2009, there are no longer any school general fund tax rates. So, delinquent property tax payments from original tax years prior to 2009 would now be distributed on a different basis than they would have been originally.

Under this provision, school corporations would receive an additional portion of the late tax payment that is equal to the amount that would have been originally distributed to the school general fund. The school corporation would be required to deposit the payment into the general fund. The distributions for other taxing units and funds would be reduced.

*Conservancies:* Under current law, a conservancy district's estimated budget must include an amount for

contingencies equal to 10% of the budgeted expenses. Conservancy district budgets are subject to review by the TAB and the DLGF.

Under this bill, the contingency amount would be subject to budget review and approval and would be limited to 10% of expenses rather than being equal to 10%. There were 67 conservancy districts in 46 counties that had an appropriation in 2008 (2007 for two counties). Total appropriations were \$27.5 M, and the special benefits tax amount was \$13.3 M. This provision could reduce conservancy district appropriations and tax by up to 10% of these amounts.

Under the bill, the interest rate that would prevail for taxpayer assessments paid in installments would equal the prime rate on the date that a resolution of financing is adopted plus 2% if the resolution is adopted after June 30, 2009. Currently, there are no rate specifications.

*Solid Waste Management Districts - Property Tax Levy and Fees:* Under current law, a county may either designate itself as a solid waste management district or establish one with other counties. If the district plans on imposing a property tax, each county within the district must approve.

Under this proposal, for taxes payable in 2010 and after, the district must first hold a public hearing before obtaining approval, now extended to August 1 from May 1. For the second and subsequent years, the proposed property tax levy must first be approved by a majority vote of all the members of the board. The board has to submit its proposed budget and property tax levy to the county fiscal body or the city-county legislative body for review and/or approval as required.

*Solid Waste Management Districts - Adoption of annual budgets:* Under current law, the DLGF must approve the budgets of solid waste management districts. Under this bill, for taxes payable in 2010 and after, in addition to the DLGF approval the annual budget must be approved by a majority of the members of the board.

*Solid Waste Management Districts - Dissolution of Solid Waste Management Districts:* Under current law, if a county withdraws from or is removed from a joint district, the county must either designate itself a new district or establish a joint district with other counties. The new entity has to either submit a new plan to IDEM or amend its existing plan as required.

Under this proposal, for taxes payable in 2010 and after, the new entity must also hold a public hearing before submitting its plan to IDEM for approval. If it plans to levy a property tax, it must do so in accordance with the provisions of this bill. If the county is the sole remaining member of a former joint district, it must either designate itself as a new county district or form a joint district with other counties. If all other counties withdrew from the joint district with the last county to withdraw doing so between December 2, 2006, and December 31, 2009, inclusive, the county (which is now the lone remaining member of the former joint district) must before January 1, 2010, either designate itself a new district or join an existing district.

A county that chooses to become a new county district must first hold a public hearing before adopting a new budget and submitting a district plan to IDEM for approval. If it plans on levying a property tax, the county fiscal body must approve in accordance with the provisions of this bill. The board shall appoint and convene a new solid waste management advisory committee.

This bill would potentially give taxpayers, district board members, and county officials more control over a district's budget. The fiscal impact would occur if budgets and/or property tax levies were reduced. In 2007

and 2008 there were approximately 68 solid waste management districts that either levied property taxes or had an appropriation. Under this bill the budgets and property tax levies of the 32 districts that levied property taxes in 2008 would be subject to review (under current law only the seven counties that increased their property tax levy by over 5% would be reviewed).

*TIF:* Under current law, the maximum term for repayment of TIF obligations begins from the date that the TIF is established. Under this provision, the term would start on the date on which the first obligation is incurred.

*Property Tax Exemptions:* This bill provides an entity additional time to file for a property tax exemption that applies to taxes payable from 2002 through 2010 for property owned and used for educational, literary, scientific, religious, or charitable purposes. The extension of time applies if the owner failed to file an application or if there was insufficient documentation attached to the application. Exemption applications could be filed through September 30, 2009, under this provision. Under the bill, refunds would be issued for taxes already paid if the entity qualifies for an exemption. The number of entities and the potential refund amount is unknown.

Under this provision, a Marion County nonprofit, private school would have through September 30, 2009, to retroactively file for property tax exemptions on donated property for taxes payable in 2007, 2008, and 2009. To qualify, the school must have been in existence for at least 45 years, the property had to have been exempt for taxes assessed in 2005 (before the donation), and the property would have otherwise qualified for an exemption. The annual taxes on the property are about \$46,000 per year. With penalties and interest, the owner is liable for a total of about \$150,000 for the three years. This bill would cancel the liability and reduce collectable property taxes by the same amount in those three years.

In addition, a Marion County church that purchased an adjacent parcel after March 1, 2007, and that failed to timely file an exemption application for taxes payable in 2009 would have through September 30, 2009, to apply for an exemption under this provision. Under current law, the church will receive a tax bill for this parcel. However, since the assessments, levies, and tax rates for taxes payable in 2009 in Marion County won't be finalized for some time, the exemption can be granted without causing a shortfall.

*Pendleton Library:* Under this provision, the Pendleton Library capital project fund levy would increase by \$20,000 per year for 5 years, 2010 through 2014.

*CVET:* Under current law, each taxing unit's Commercial Vehicle Excise Tax (CVET) distribution is equal to 105% of the amount that the unit received in the prior year, going back to the base year. The CVET tax rate is calculated by dividing the amount needed to make the unit distributions by the commercial vehicle registration fees paid in the previous year. The rate is applied to current registrations to generate the current year CVET liability for each vehicle.

Under this bill, beginning in 2009, the base revenue amount for each taxing unit would equal the previous fiscal year's CVET revenue apportioned in the same percentage as the revenue was distributed in 2001 (and each year thereafter).

There are two effects from this change. First, taxing units will no longer be guaranteed to receive an annual 5% increase in their CVET distributions. This bill would, in effect, freeze the rate. The amount of revenue received each year would be directly tied to the percentage change in total registration fees paid on commercial vehicles. If total fees go up, then the CVET revenue would increase. If total fees drop, then the

CVET revenue drops. However, because of the issue cited below, the revenue received in 2009 would be slightly reduced because it would be based on 2008 actual collections. Total CVET collections were \$62.5 M in FY 2008.

The other effect is to fix a problem with the rate calculation under current law. Registration fees for farm vehicles are one-half as much as they are for other vehicles. In order to compensate for this difference, the amount of registration fees paid on farm vehicles was double-counted in the CVET rate formula. However, farm vehicles now pay one half of the regular CVET tax amount. The result is a shortage in available funds to make the guaranteed distributions to local units. This will no longer be an issue under this proposal.

*Fairland:* The bill provides that the population of the town of Fairland, for purposes of certain Indiana laws, is 325. This would direct certain tax revenue distribution to the town of Fairland, and correspondingly reduce the distributions to other local units. Currently, a portion of the Motor Fuel Taxes, Alcoholic Beverage Taxes, and Cigarette Taxes are distributed to local units of government based on their share of population as certified by the Census Bureau.

*RV Excise Tax:* Under current law, RV and truck camper excise taxes are prorated when a vehicle is newly registered or sold during the registration year and when the owner's last name is changed. For new registrations, the excise tax is reduced by 10% per month for each month since the owner's usual registration date. On the sale of a vehicle, the owner receives a refund equal to the full-year excise tax, less 10% per month for each month since the registration date. And for a change in the owner's last name, the owner receives a refund or pays additional tax equal to 10% of the full-year excise tax for each month between the old and the new registration dates.

This bill would change the 10% monthly adjustments cited above to 8.33% to reflect a 1/12 adjustment per month. If one assumes that there are the same number of new registrations as there are vehicles sold and if the excise taxes and number of months between registration dates is the same for each group, then this provision would have little impact. Likewise, there is an assumption that the number of name changes that result in an earlier registration date is similar to the number of name changes that result in a later registration date.

A similar change was made for cars, trucks, and motorcycles subject to the motor vehicle excise tax in P.L. 184-2007.

*Economic Improvement Districts:* Under current law, an economic improvement district (EID) may be formed by a county or municipality if a petition is signed by (1) a majority of the real property owners in the proposed district; and (2) the owners of at least 2/3 of the non-exempt assessed value in the proposed district. All real property owners in an EID, except those entities that are exempt from property taxation, must pay a special assessment that is used to fund improvements in the district. The district may also exempt for one year a business that is established after creation of the district.

Currently, EID projects may include the following:

- (1) Planning or managing development or improvement activities;
- (2) Designing, landscaping, beautifying, constructing, or maintaining public areas;
- (3) Promoting commercial activity or public events;
- (4) Supporting business recruitment and development;
- (5) Providing security for public areas;
- (6) Acquiring, constructing, or maintaining parking facilities; and

(7) Constructing, rehabilitating, or repairing residential property.

Under this bill, EID projects could also include development of residential property, and other economic development and redevelopment projects. For purposes of projects involving residential property, residential property would be redefined as public and private residential property.

This bill would subject otherwise tax-exempt property in the EID to the special assessments. In addition, the bill would permit a taxing unit to pledge the special assessments from an EID and any other available funds for the payment of debt without creating an obligation for the taxing unit.

*Major Bridge:* Under current law, the executive of a county whose population is between 100,000 and 700,000 and which has a major obstruction between its commercial or population centers is authorized to provide a major bridge fund for the construction of major bridges. To provide for the fund, the executive may levy a tax on all taxable property within the county. The rate may not exceed \$0.0333 on each \$100 of assessed valuation of property. Currently, Allen, Elkhart, Hamilton, LaPorte and St. Joseph Counties have county major bridge funds.

Under this provision, money in the Allen County Major Bridge Fund could additionally be used for constructing, maintaining or repairing bridges, approaches or grade separations with respect to structures other than major bridges.

In CY 2008, Allen County levied about \$2.5 M for the major bridge fund. Appropriations were approximately \$2.0 M.

*Enterprise Zones:* Under current law, the federal government and the board of the IEDC may designate certain areas within Indiana as enterprise zones. An enterprise zone expires after ten years but is eligible for two five-year renewals based on performance reviews by the IEDC Board. The enterprise zone may not be renewed after the expiration of the second five-year period.

Under this bill, if the enterprise zone is due to expire between December 1, 2008, and December 31, 2014, the IEDC Board is to renew the enterprise zone for an additional five years if the fiscal body of the municipality in which the enterprise zone is located adopts a resolution requesting the Board to do so. An enterprise zone that is on its second and final five-year renewal under current law may only be renewed for one additional five-year term under this bill.

The renewal resolution must be adopted at least 30 days before the expiration date. If, however, the enterprise zone expired after November 30, 2008, or is scheduled to expire before September 1, 2009, the fiscal body has until August 1, 2009, to adopt the resolution.

The fiscal impact of this provision would depend on whether the fiscal body decides to request a renewal of the current term for the enterprise zone. If the term is renewed, qualified employees within the enterprise zone would continue to receive the Employee Tax Deduction and businesses would also continue receiving the Enterprise Zone property tax deduction. On the other hand, taxing units in which enterprise zones are located would continue to experience a minimal reduction in revenue from the County Option Income Tax (COIT), and the County Economic Development Income Tax (CEDIT) during this additional five-year term.

*Anderson Airport Development Zone:* If the Anderson airport area is designated as an airport development zone, businesses located in the zone will have to pay a fee equal to the amount required for enterprise zone

businesses, which is currently 1% of the tax incentives claimed. This fee would be deposited in the debt service fund established for the airport development zone. Because the Employee Tax Deduction, a tax incentive available in airport development zones, would serve to decrease taxable income, Madison County could experience a decrease in revenue from the County Option Income Tax (COIT), and the County Economic Development Income Tax (CEDIT).

**State Agencies Affected:** All.

**Local Agencies Affected:** All.

**Information Sources:**

**Fiscal Analyst:** Alan Gossard, 317-233-3546; Diane Powers, 317-232-9853.